

# Montana Sound Money Bill HB0639

March 12, 2009

## Testimony of

# Dr. Lawrence Parks

Executive Director

## Exhibits

Foundation for the Advancement of  
Monetary Education  
LarryParks@FAME.org

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## Collapse of the Dollar

Monetary Malfeasance, Resurrection of Gold:  
Reasserting the Monetary Powers and  
Disabilities of the U.S. *Constitution*

### Summary:

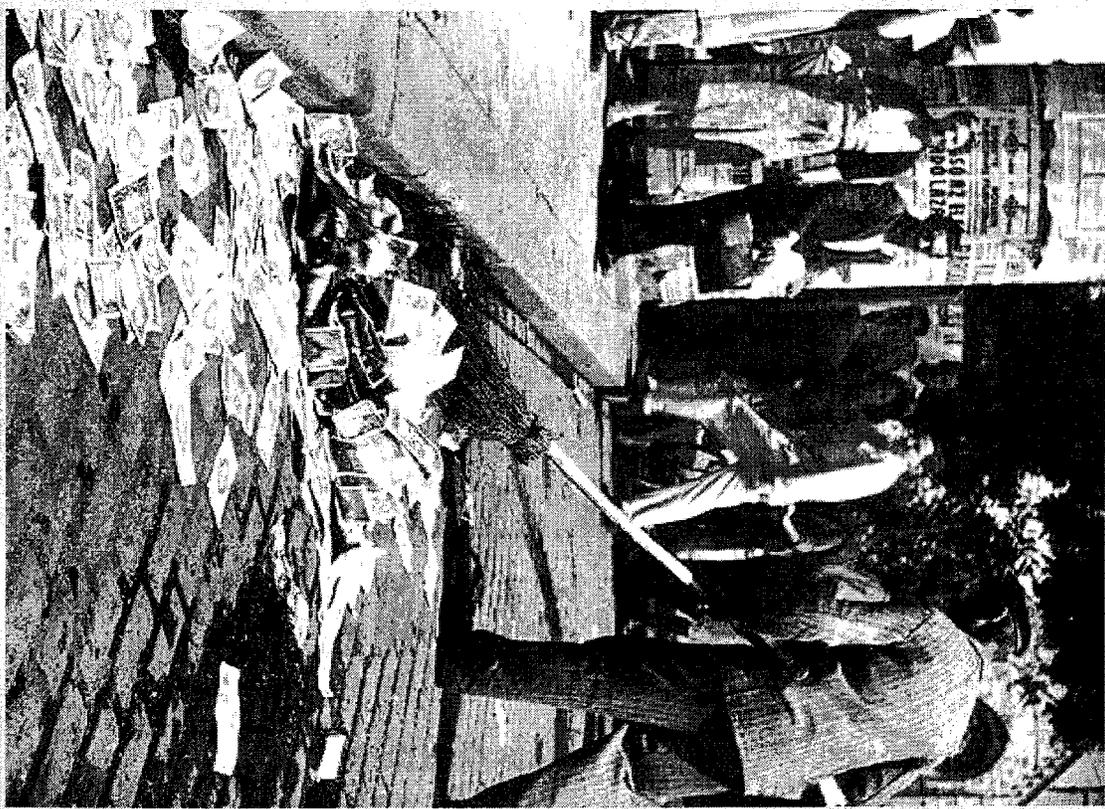
1. The U.S. monetary system is unauthorized, i.e., it is unlawful under the *Constitution*
2. The U.S. monetary system is dishonest
3. The U.S. monetary system will blow up

# Where we are headed:

With no exceptions, the history of legal tender irredeemable paper-ticket-electronic money is that its purchasing power always approaches its cost of production:

**ZERO**

A lifetime's  
worth of  
savings –  
literally down  
the sewer!

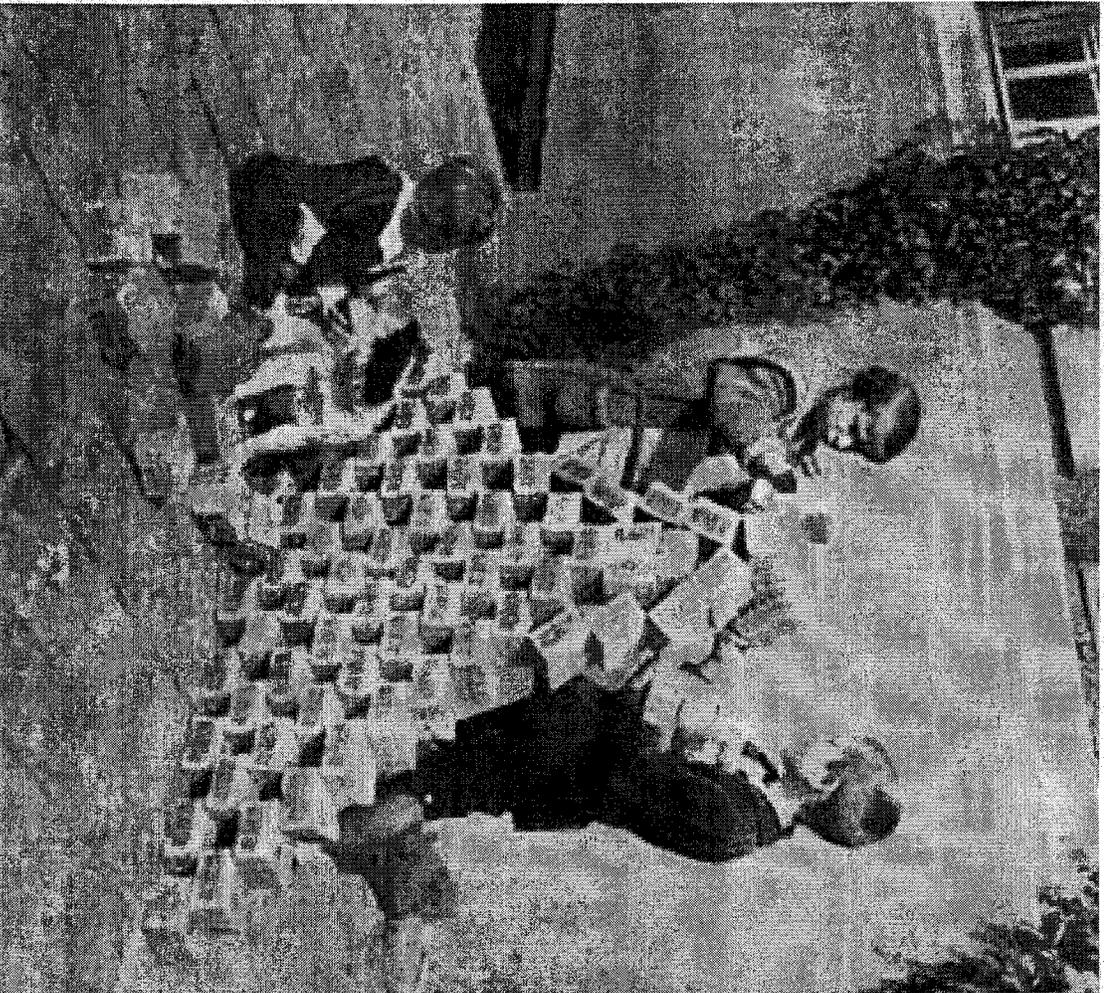


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© The LITTLE SHOP OF FATS Show  
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The paper money  
had more BTU  
value than  
nominal value!

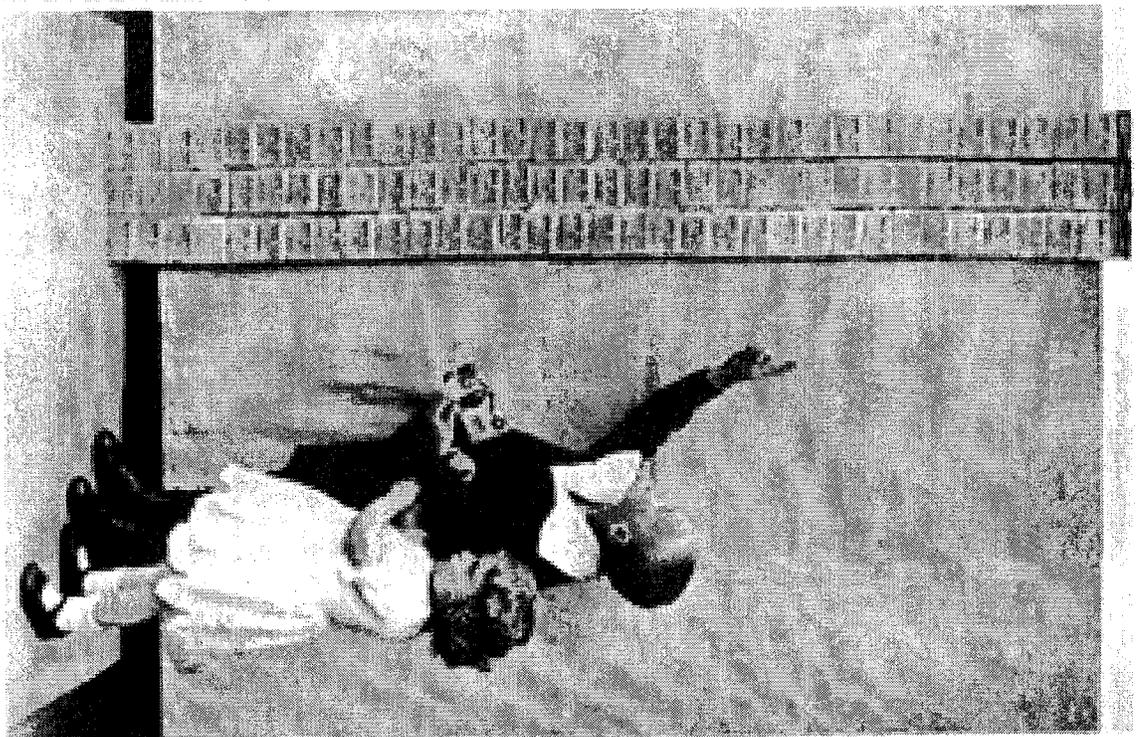


# They are not playing with blocks



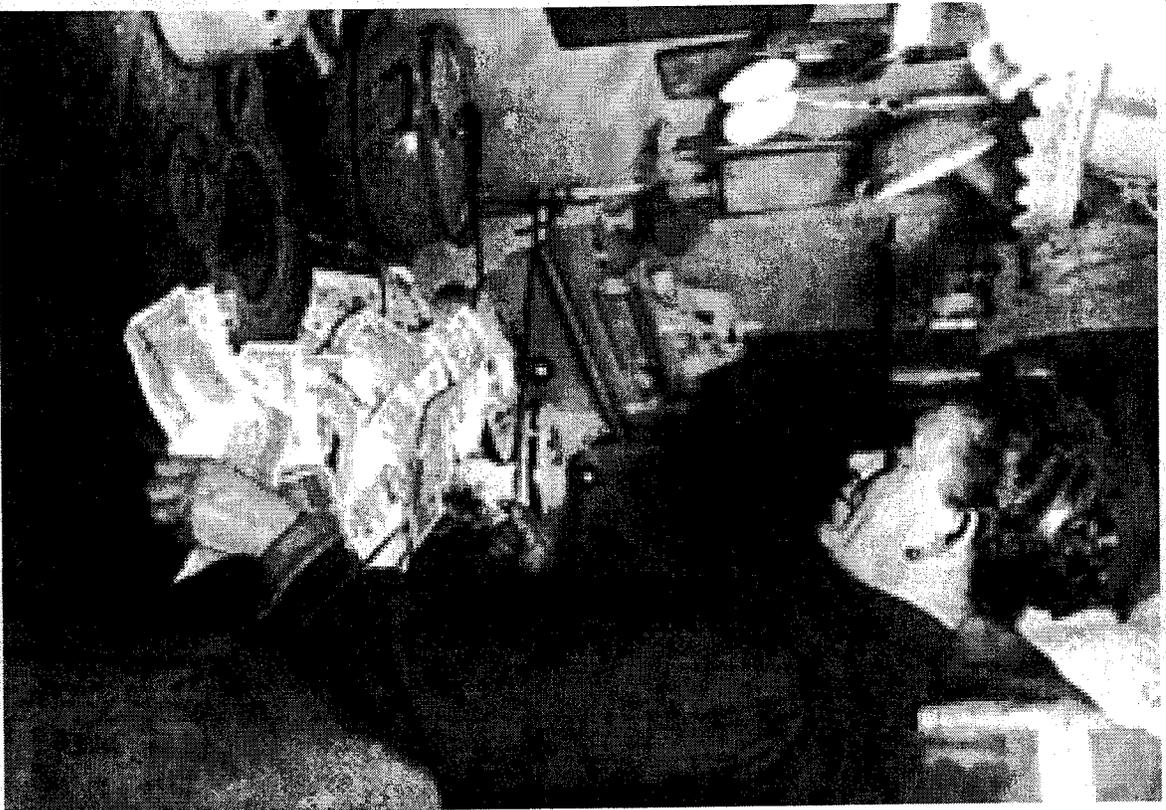
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# A lesson in high finance



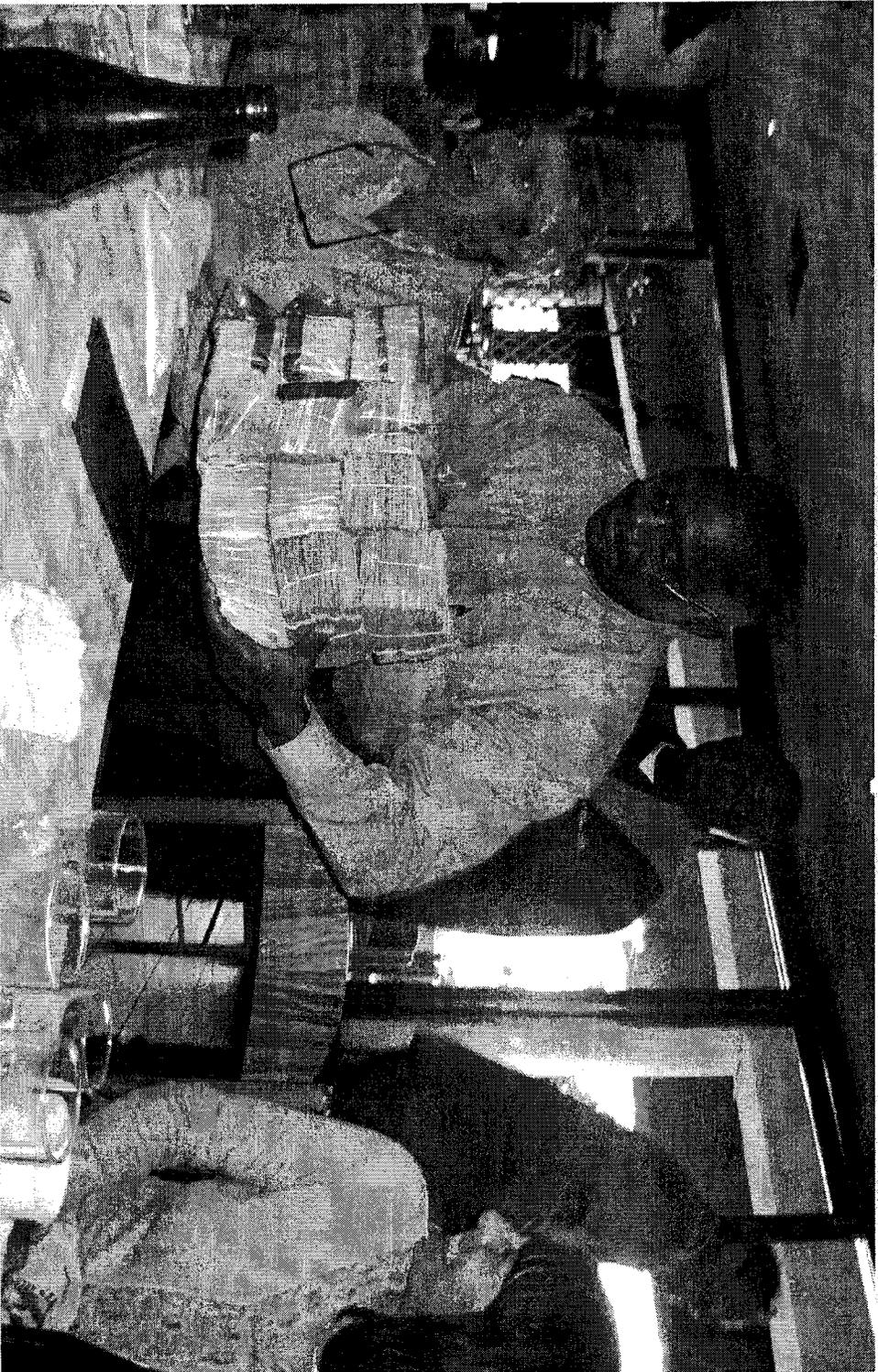
7  
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# A cheaper way to heat food

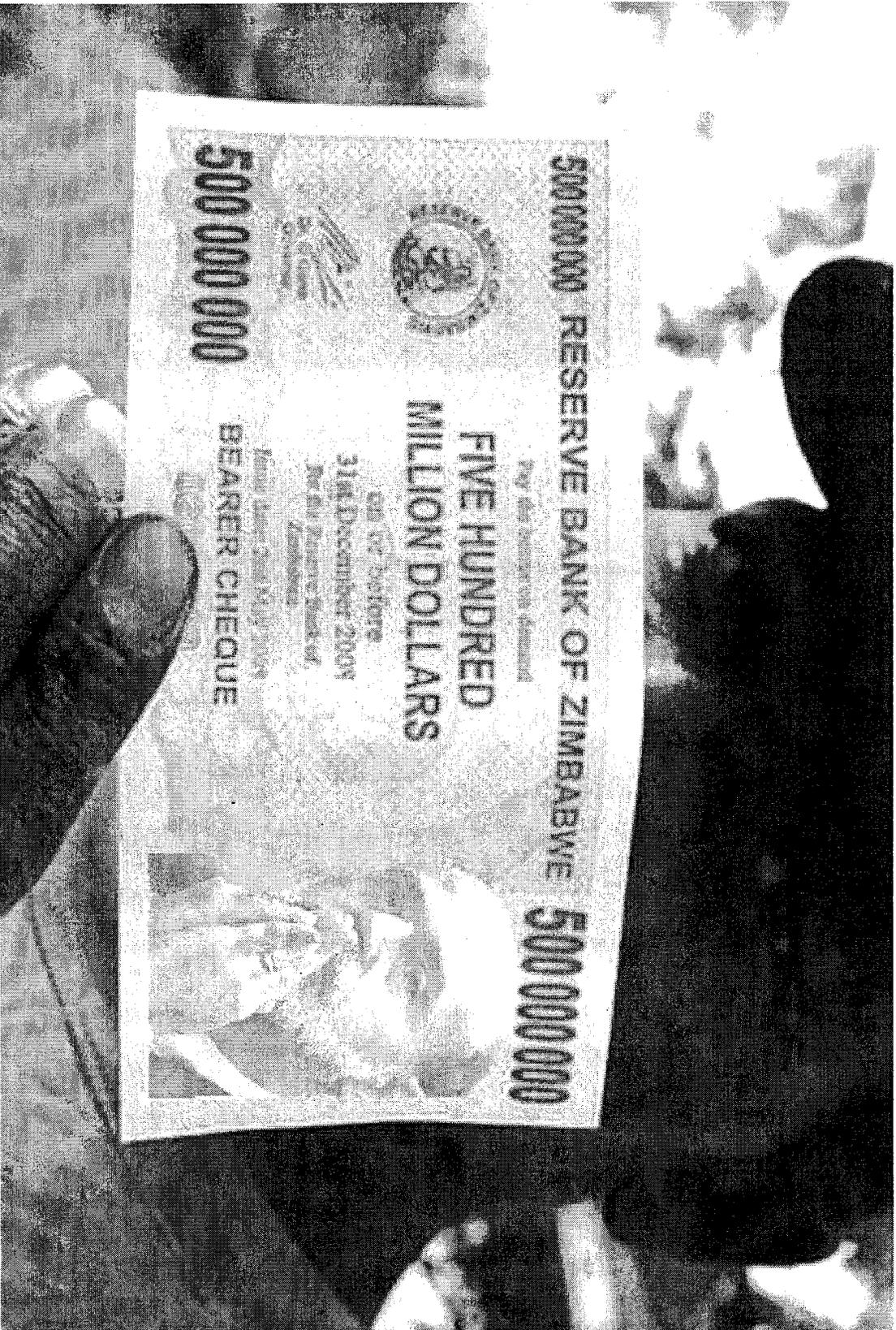


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# Buying lunch in Zimbabwe today.

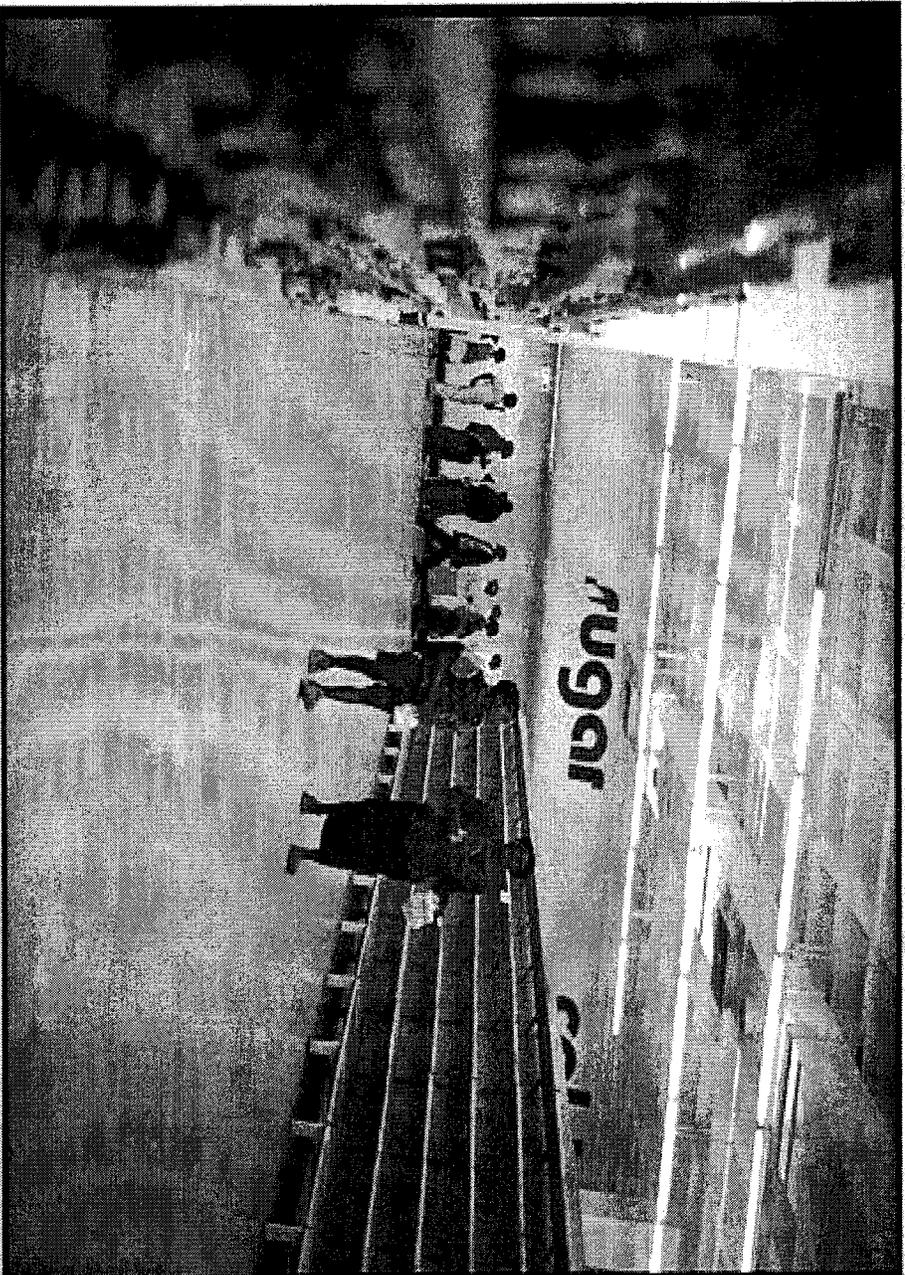


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# Supermarket in Zimbabwe (August 2007)



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A free download  
off the FAME.org  
website, or you  
can get it from  
Amazon or  
Barnes & Noble

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## What Does Mr. Greenspan

*Really Think?*

by

Lawrence Parks

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### *Inside:*

Fed Chairman Alan Greenspan  
Praises the Gold Standard and  
Blows the Whistle on:

- ▶ Fiat Money
- ▶ Wealth Transfer
- ▶ Financial Collapse

A primer about how our monetary system  
works to transfer wealth from poorer people  
(ordinary taxpayers) to richer people  
(bankers and Wall Street firms).

"My old friend Larry Parks has done the nation a valuable service by exposing how even Alan Greenspan, the 'man behind the curtain' in America's monetary OZ, knows that the Federal Reserve is an unaccountable bureaucracy that enriches special interests at the expense of working Americans and our nation's economic security. I highly recommend this work to anyone who wishes to understand the dangers of our fiat money system and the reforms necessary to ensure the dollar is once again 'as good as gold.'"



Hon. Ron Paul, MD  
Member of the United States House of  
Representatives  
Member of the House Banking Committee

**Clearly, there's something seriously wrong with the system.**

**As Mr. Volcker recently put it:**

**“the new financial system has failed the test of the market place.”**



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**What is a Dollar?**

**May the Congress  
make the dollar  
anything it wishes?**

# The Constitution

## 7<sup>th</sup> Amendment:

“In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved. . . .”

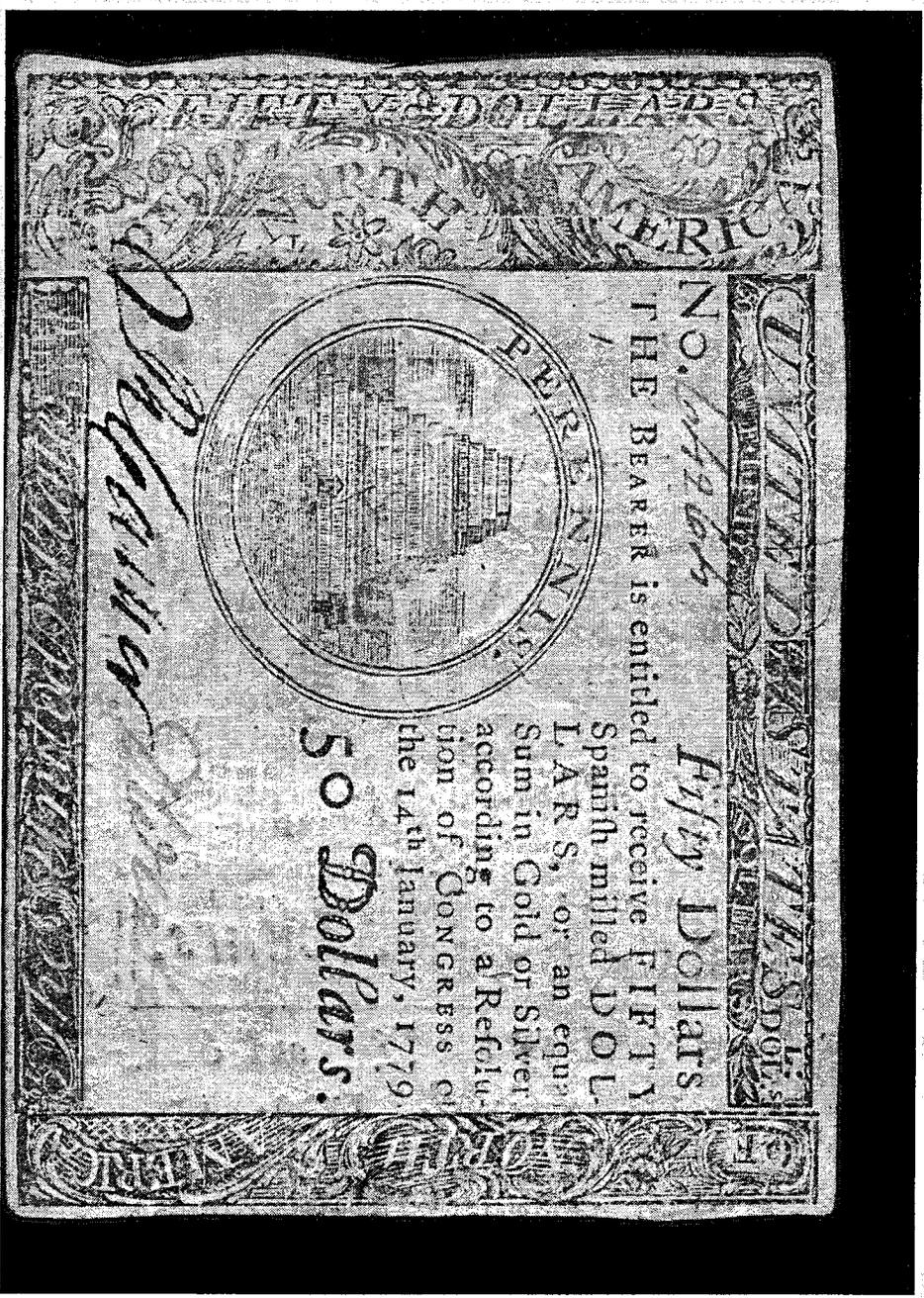
# Spanish Milled Dollar



1753 PERU & REALES  
PILLAR TYPE

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“Bearer is entitled to receive  
FIFTY Spanish milled dollars ..”





**“Dollars or Units—each to be of the value of a Spanish milled dollar as the same is now current, and to contain three hundred and seventy-one grains and four sixteenths parts of a grain of pure, or four hundred and sixteen grains of standard silver.”**

## ***Coinage Act of 1792***

- By law, and by definition, a dollar is 371.25 grains of silver.
- This definition has never been changed.
- It cannot be changed.
- There can be no such thing as a “gold dollar” or anything other than a weight of silver.

## Article 1, Section 8:

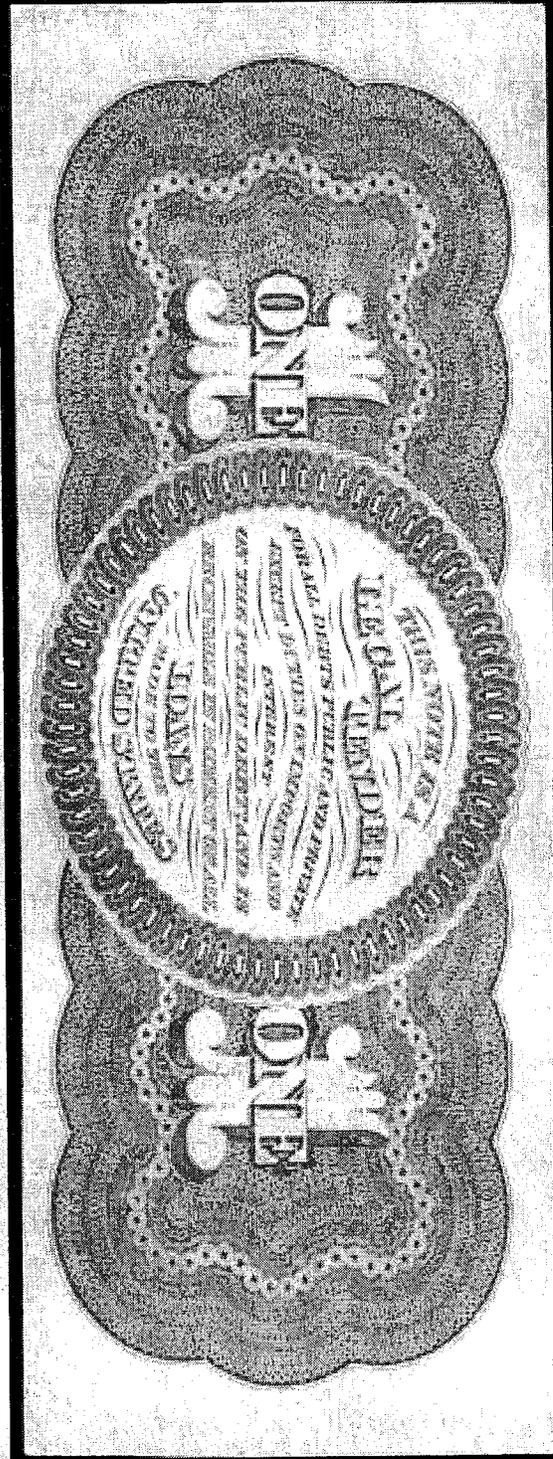
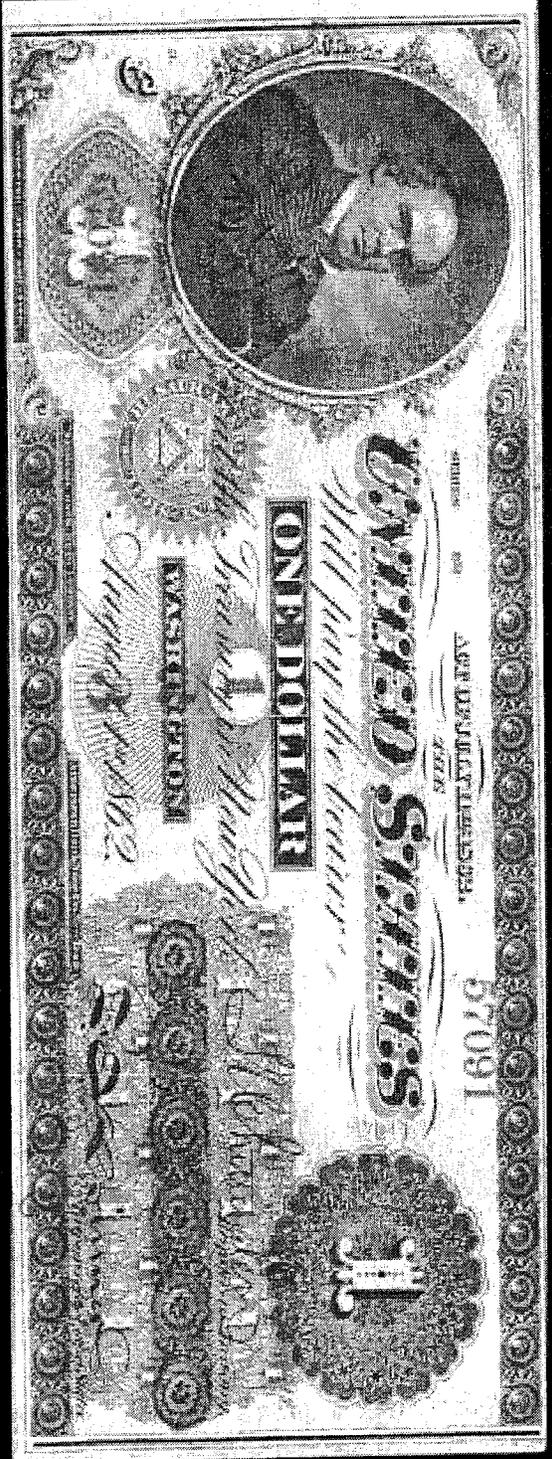
- “To coin Money, regulate the Value thereof, and of foreign Coin . . . .”

## Article 1, Section 10:

- **“No State shall . . . coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts”**

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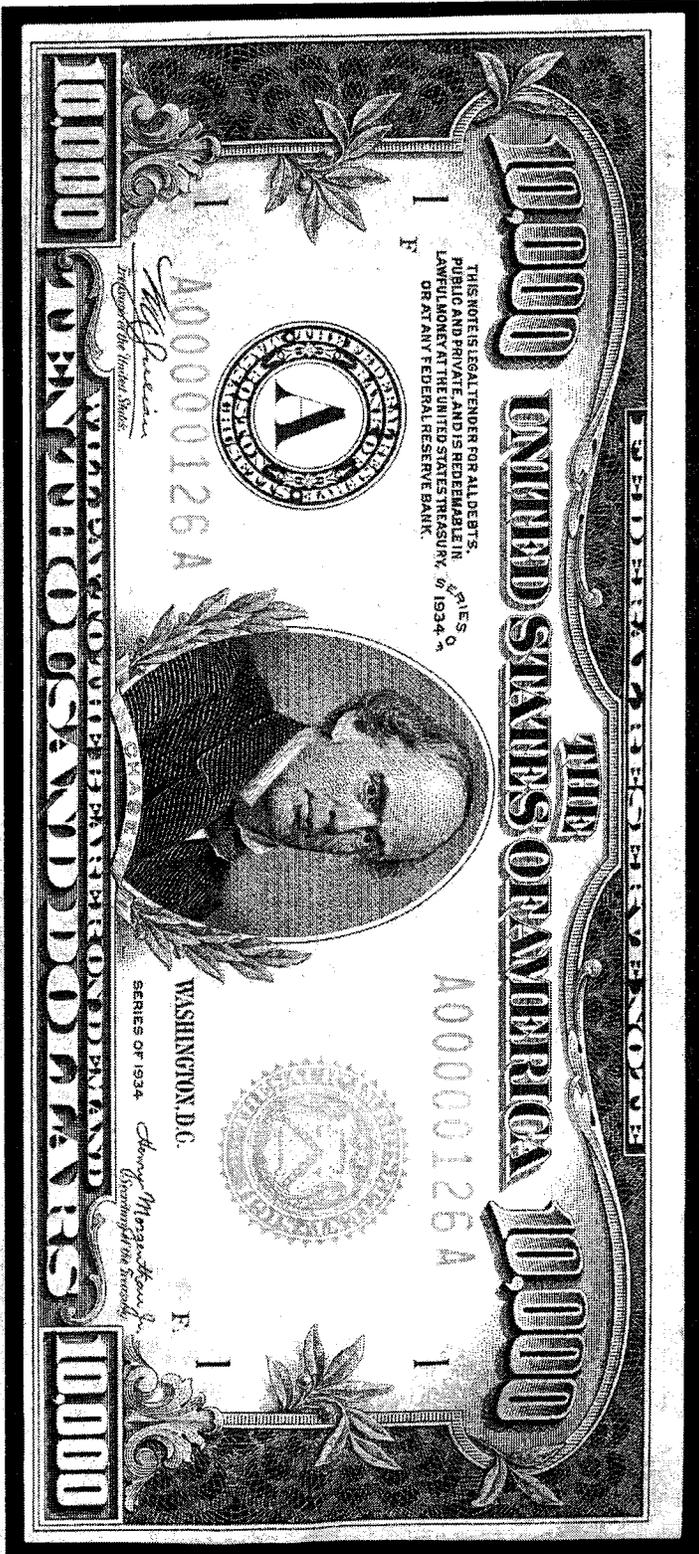
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## SALMON CHASE

- “The legal tender quality [of money] is only valuable for the purposes of dishonesty.”

Chief Justice Salmon Chase, formerly Secretary of Treasury in President Lincoln’s administration, in dissent of *Knox vs. Lee* (*The Legal Tender Cases*, 1871)

# SALMON CHASE



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**"No legal tender law is ever  
needed to make men take  
good money; its only use is to  
make them take bad money.  
Kick it out!"**

**Stephen T. Byington  
*American Federationist*, September, 1895**

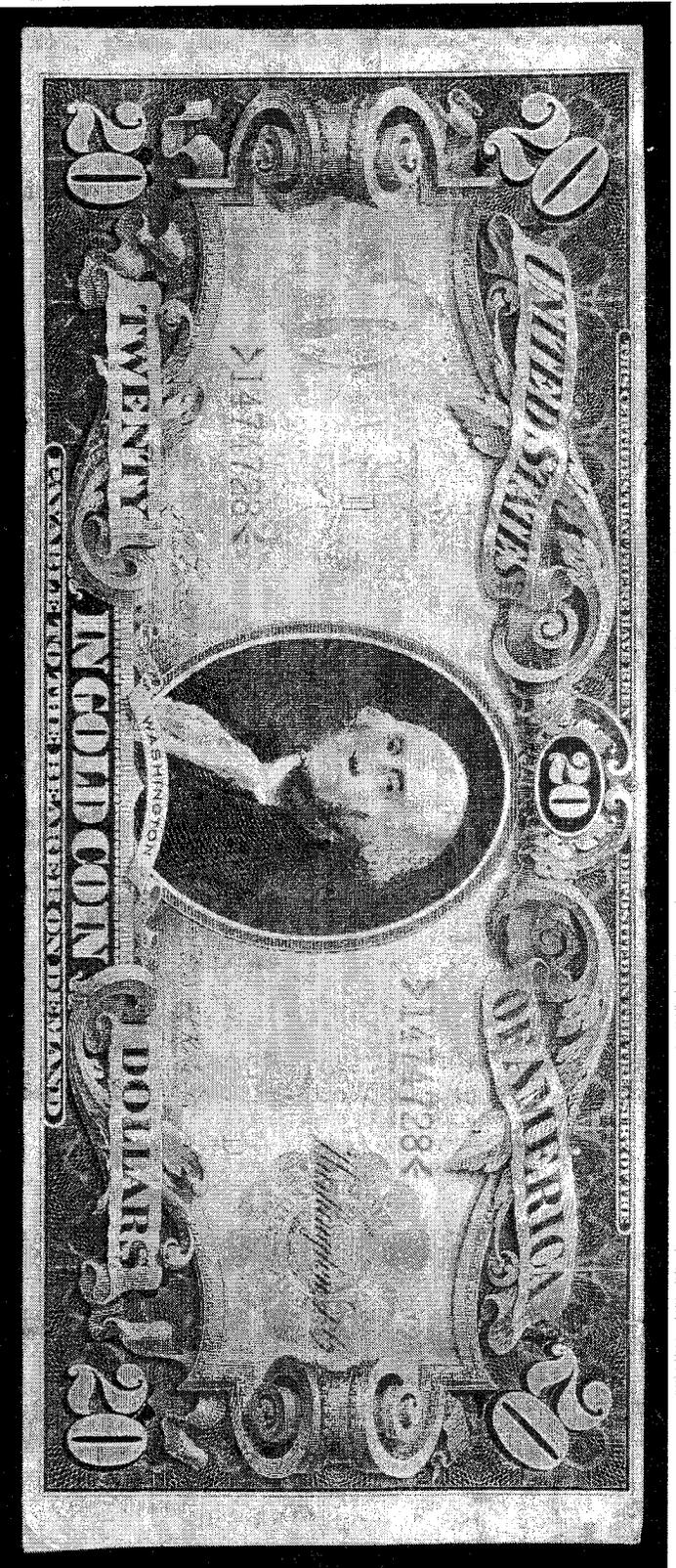


# Fraudulent Behavior by Banks

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- But even though gold was the money, gold coins did not circulate, because:
1. Gold is a soft metal, and the coins would wear out;
  2. Gold is very heavy (it has a specific gravity 19x heavier than water);
  3. Gold coins are too valuable for small purchases; and, especially,
  4. Gold coins are liable to be stolen.

“This certifies that there have been deposited in the  
Treasury of the United States of America”  
“payable to the bearer on demand” \$20 in gold coin



Since the 17<sup>th</sup> century, banks loaned out promissory notes payable in gold on demand, a.k.a., banknotes, for which they did not have gold.

Jargon: “fractional reserve lending”

**This is flat-out dishonest!**

## The Gold Standard:

1. An invention of the Bank of England;
2. Paper that is “redeemable,” “backed,” “pegged to,” or somehow linked to gold;
3. An invitation to fraud;
4. **NOT** authorized by the U.S. *Constitution*.

## Banking Panic of 1907 was the antecedent of the Federal Reserve

Stated purpose: “[T]o furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.”

**\$20 Federal Reserve Note issued 1914**  
*Nothing about being "legal tender"*  
*Just a promise to "pay to the bearer on demand \$20"*



**How and why gold was removed from the monetary system:**

- 1. World War I**
- 2. The Roaring Twenties (What made them roar?)**
- 3. The aftermath**

"We are now there  
fit to fight."

# The New York Times.

LATE CITY EDITION  
PUBLISHED EVERY MORNING EXCEPT SUNDAY  
AND HOLIDAYS

Vol. LXXXI, No. 24,100. TUESDAY, APRIL 1, 1936. NEW YORK, MONDAY, MARCH 31, 1936. TWO CENTS. TELEPHONE: 1-4-15-15-15-15

## ROOSEVELT ORDERS 4-DAY BANK HOLIDAY, PUTS EMBARGO ON GOLD, CALLS CONGRESS

### UNDER FLAG WINS A BOLD MAJORITY; NOISES IN PRUSSIA

Washington, Tenn. (AP)—The Senate today passed the gold embargo bill, 67 yeas to 23 nays, and the 44½% of total vote and the Government 87%, of 84,000,000 sound vote.

SALES ROLL UP 17,200,000  
The 44½% of total vote and the Government 87%, of 84,000,000 sound vote.

STATISTICS IN PROGRESS  
The 44½% of total vote and the Government 87%, of 84,000,000 sound vote.

THE PRESIDENT'S BANK PROCLAMATION  
The President's bank proclamation, signed at 12 o'clock today, was the first of its kind since the war.

USE OF GOVT UTILITY  
President Takes Steps Under Sequestration Law of War Time.

### JAPANESE PUSH ON IN PERSIA; PORTING CHINA CLASSES WALL

London (AP)—The British Foreign Office today announced that the Japanese had pushed on in Persia and that the Chinese had closed their ports to foreign shipping.

### CONGRASS NEAR END, LAYSERS INTO CONGRASS

Washington (AP)—The House today passed a bill to amend the National Labor Relations Act, 378 yeas to 10 nays.

### REYNOLDS CITY STILL PAYS IN CASE

Reynolds City, Okla., today paid \$100,000 to the federal government in a case involving the city's financial records.

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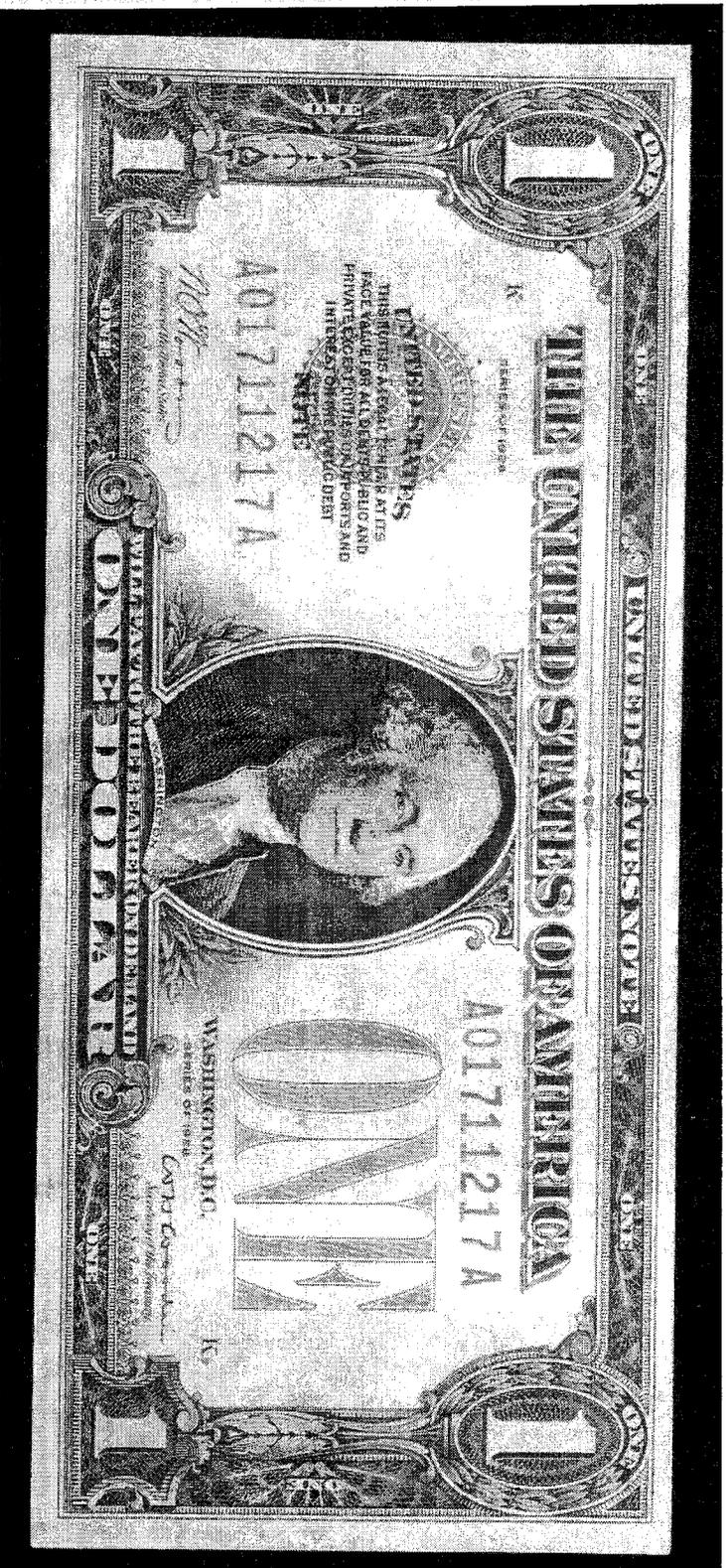
Reynolds City, Okla., today paid \$100,000 to the federal government in a case involving the city's financial records.

## Consequence of the fraud

1. Roosevelt seized citizens' gold
2. Roosevelt made it a felony to own monetary gold
3. Banks were relieved of promises to pay gold on demand
4. Gold was demonized

No one else was given a pass

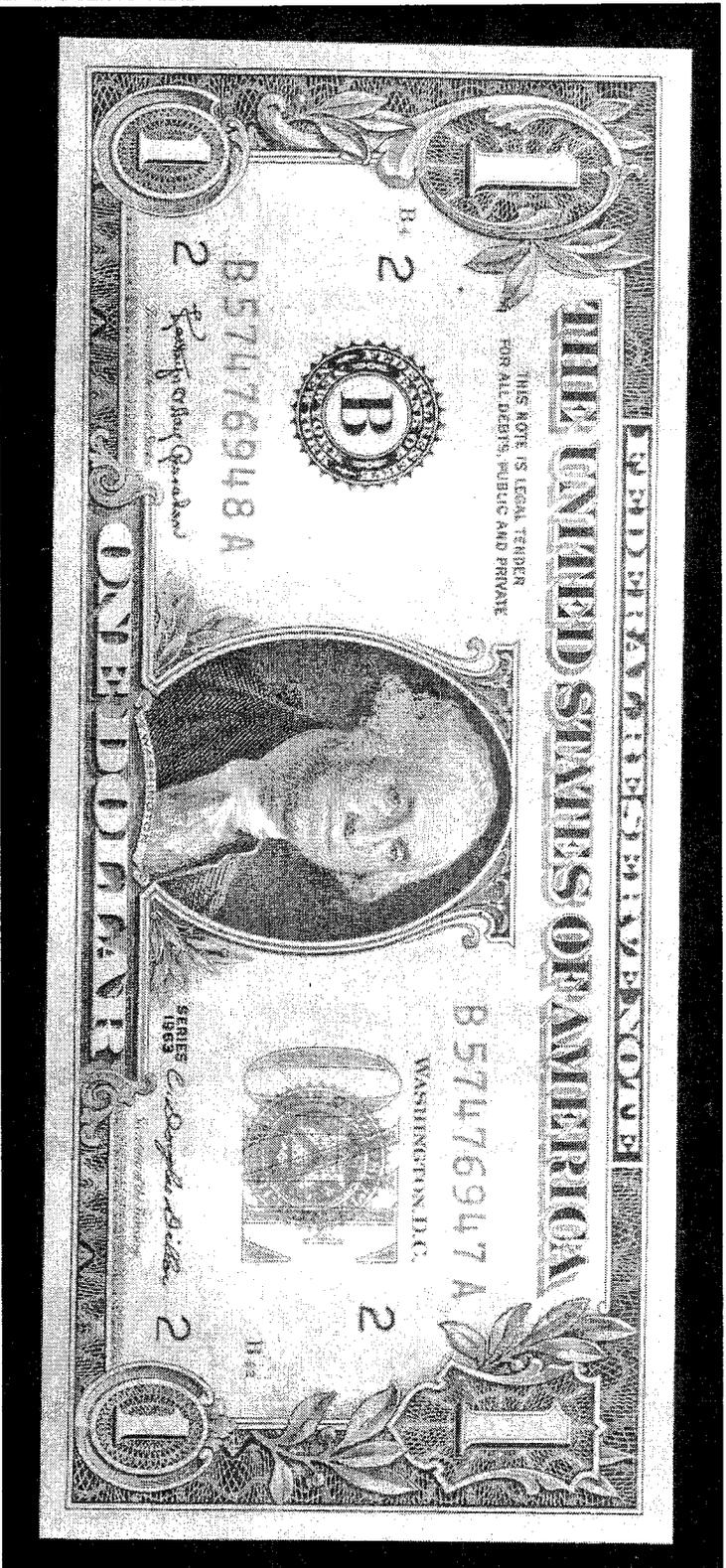
\$1 Dollar U.S. Note: This is NOT a dollar.  
It's a promise to PAY a dollar.



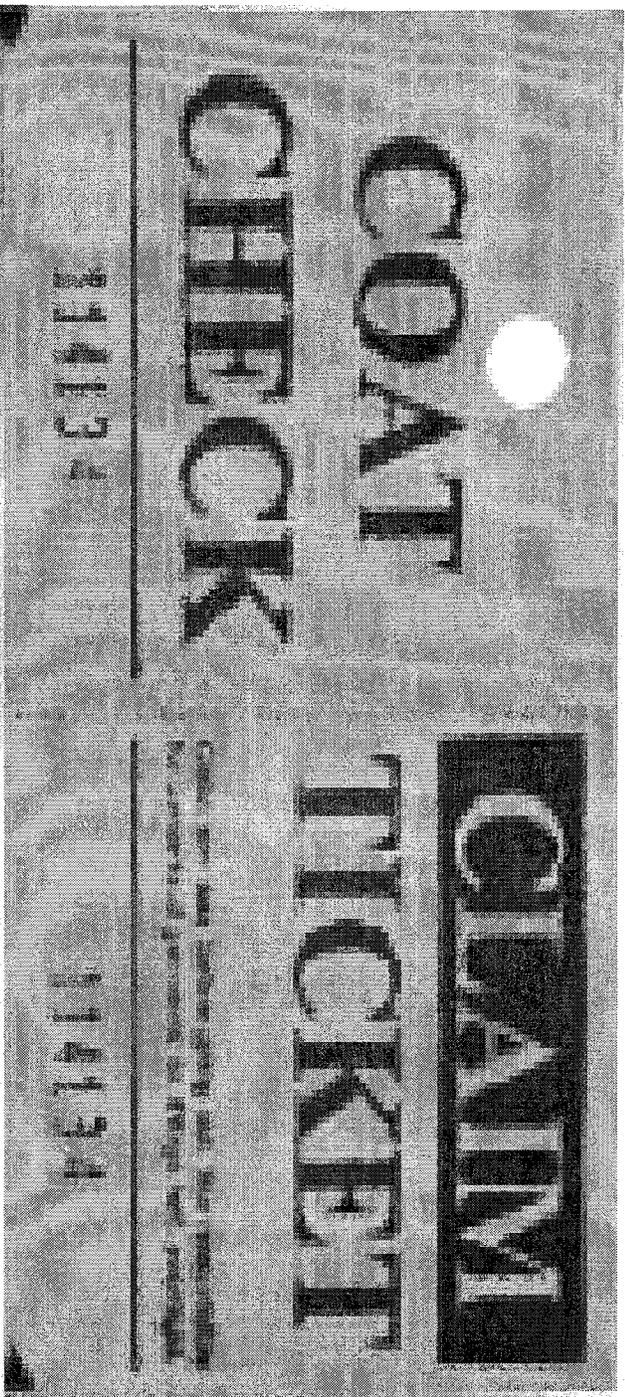
# U.S. Silver Dollar



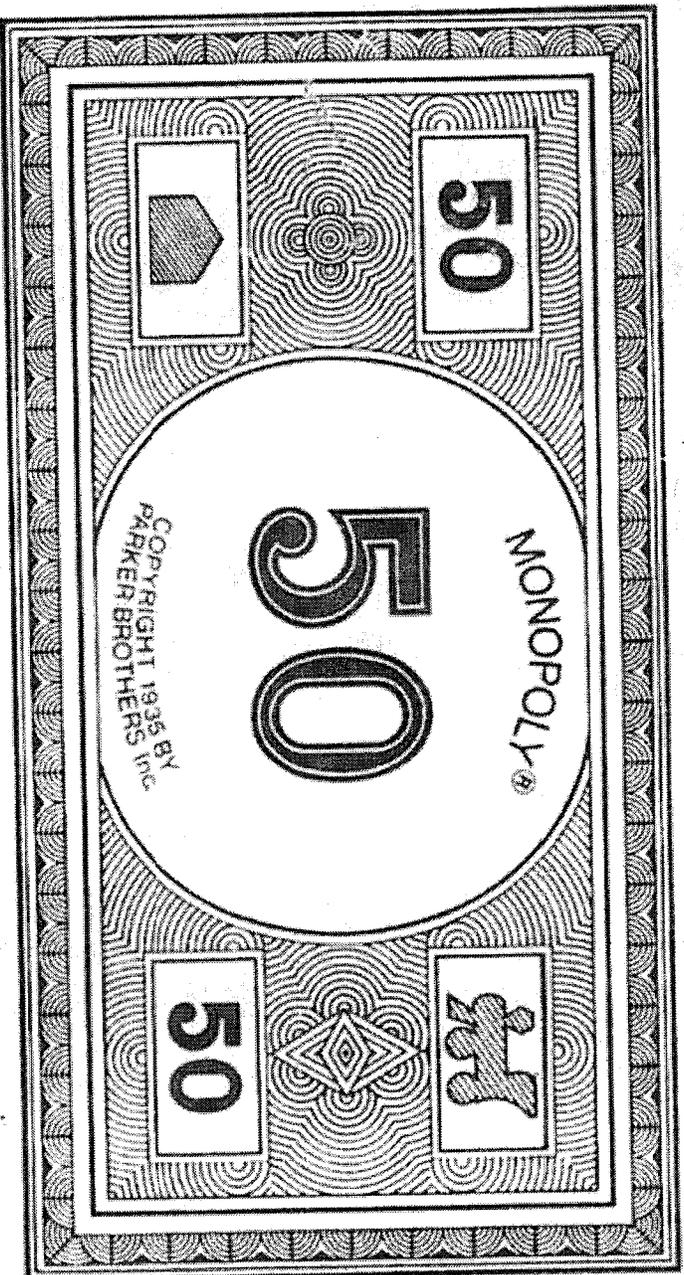
Now, the promise to pay a dollar has been broken, and  
The broken promise to pay a dollar has become a dollar!  
How stupid can stupid be?



It's as if a dishonored coat check  
claim now becomes a coat!



Aside from not being gussied up with seals and signatures, how is this different from U.S. legal tender irredeemable paper-ticket money?



- **A vital subset of contract law deals with promises to pay.**
- **In their most elemental form, contracts to pay are called “promissory notes,” a.k.a. Notes.**

# The original Federal Reserve Note had all four elements



# The original Federal Reserve Note had all four elements



# The new Federal Reserve "Note"



No longer does it say: "WILL PAY TO  
THE BEARER ON DEMAND"

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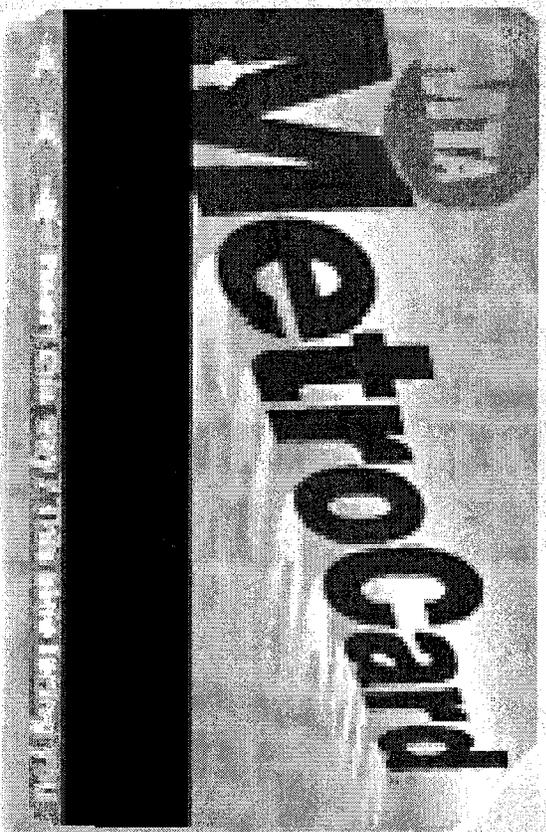
**More Misrepresentation!**

**Federal Reserve “notes” are NOT Notes!**

**Pieces of paper with ink on them:**

**Paper tickets, or tokens**

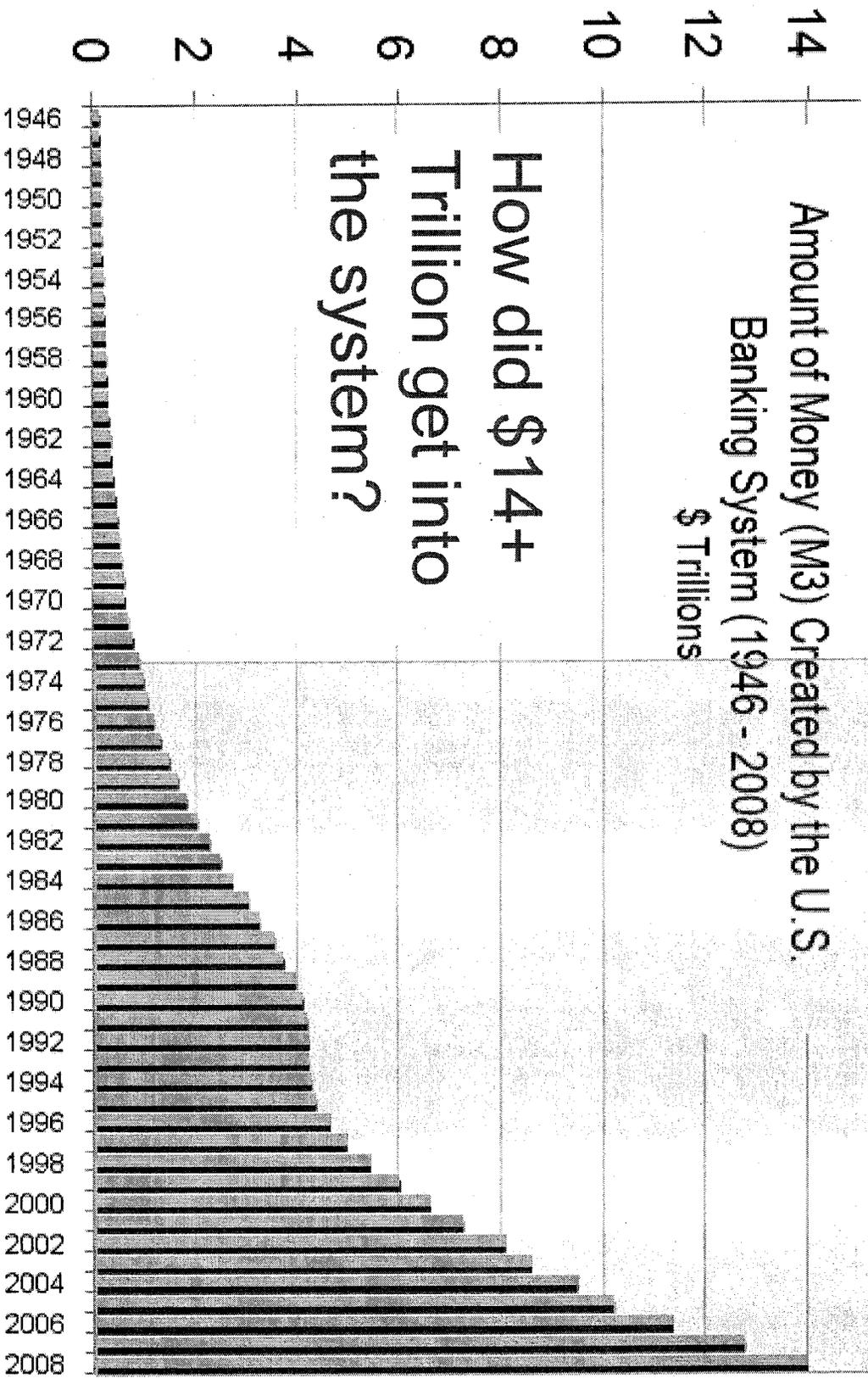
**Why does it matter?**



- What about future payment, e.g., your pensions, promised benefits, annuities, rents, etc.
- Who would save Metrocards for their pension?

# How did \$14+ Trillion get into the system?

Amount of Money (M3) Created by the U.S. Banking System (1946 - 2008)  
\$ Trillions



**“The process by which banks  
create money is so simple that  
the mind is repelled.”**

*Money: Whence it came, where it went*  
**John Kenneth Galbraith**

# How banks create money out of nothing



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“Money exists simply as a bookkeeping entry at a bank.”

*The Story of Money*, 8<sup>th</sup> Printing, 2005  
Federal Reserve Bank of New York, page 17

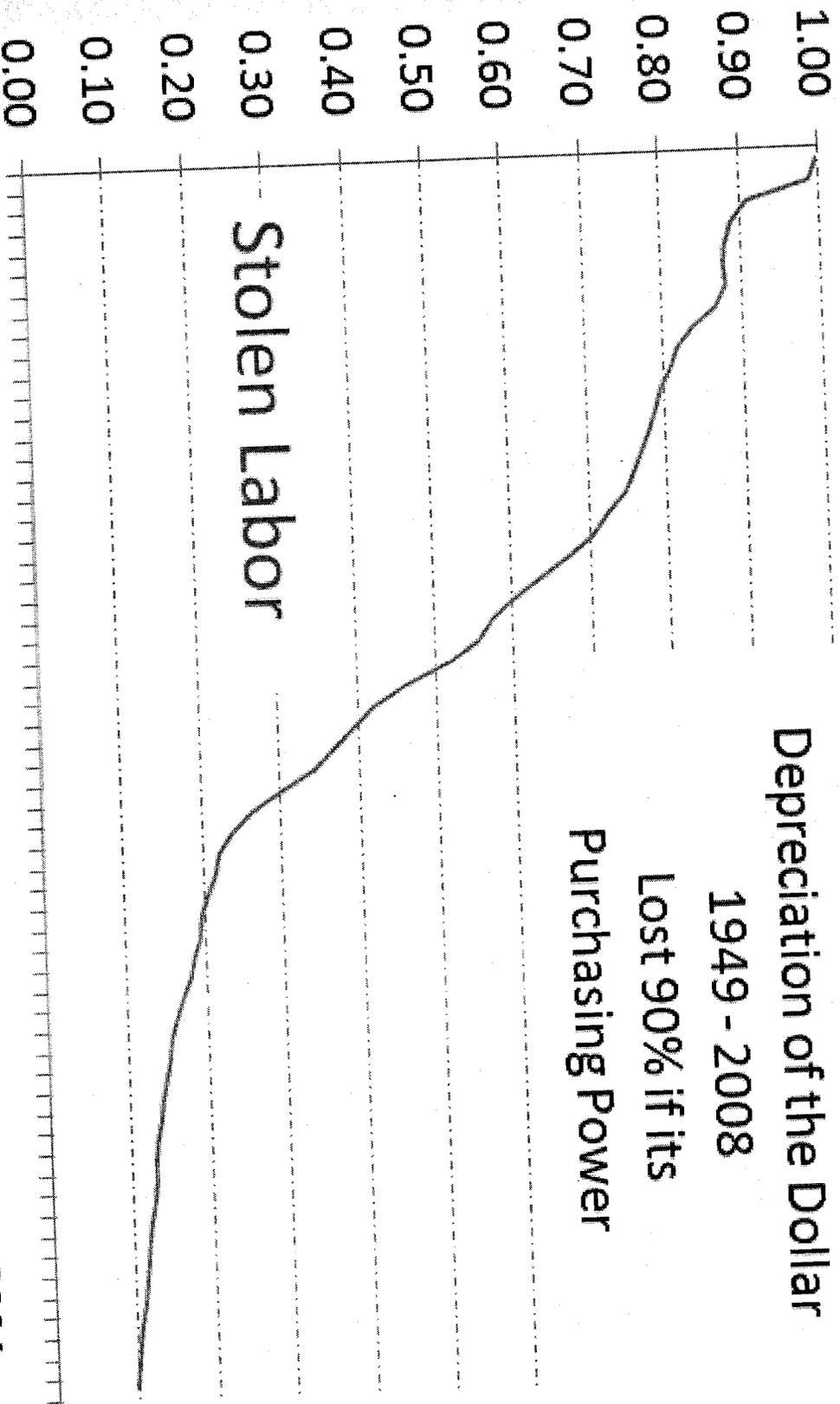
“If the bank makes a loan, it credits the checking account of the borrower. This creates new money in the form of additional checkable deposits for the borrower.”

*The Federal Reserve Today*, 15<sup>th</sup> Edition  
Federal Reserve Bank of Richmond, page 16.

**Trillions is a number range reserved for astronomy**  
*Dr. Antal Fekete*



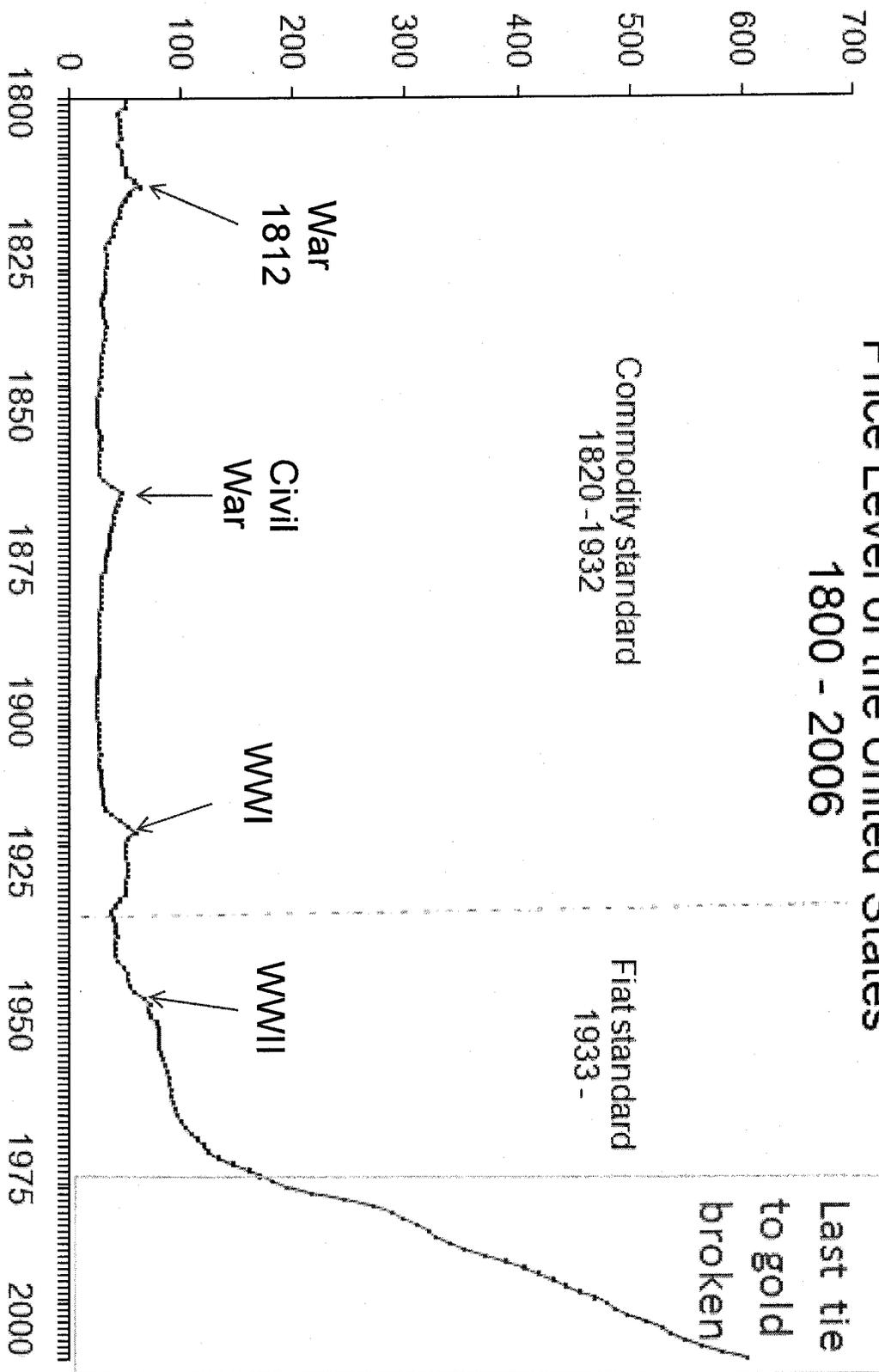
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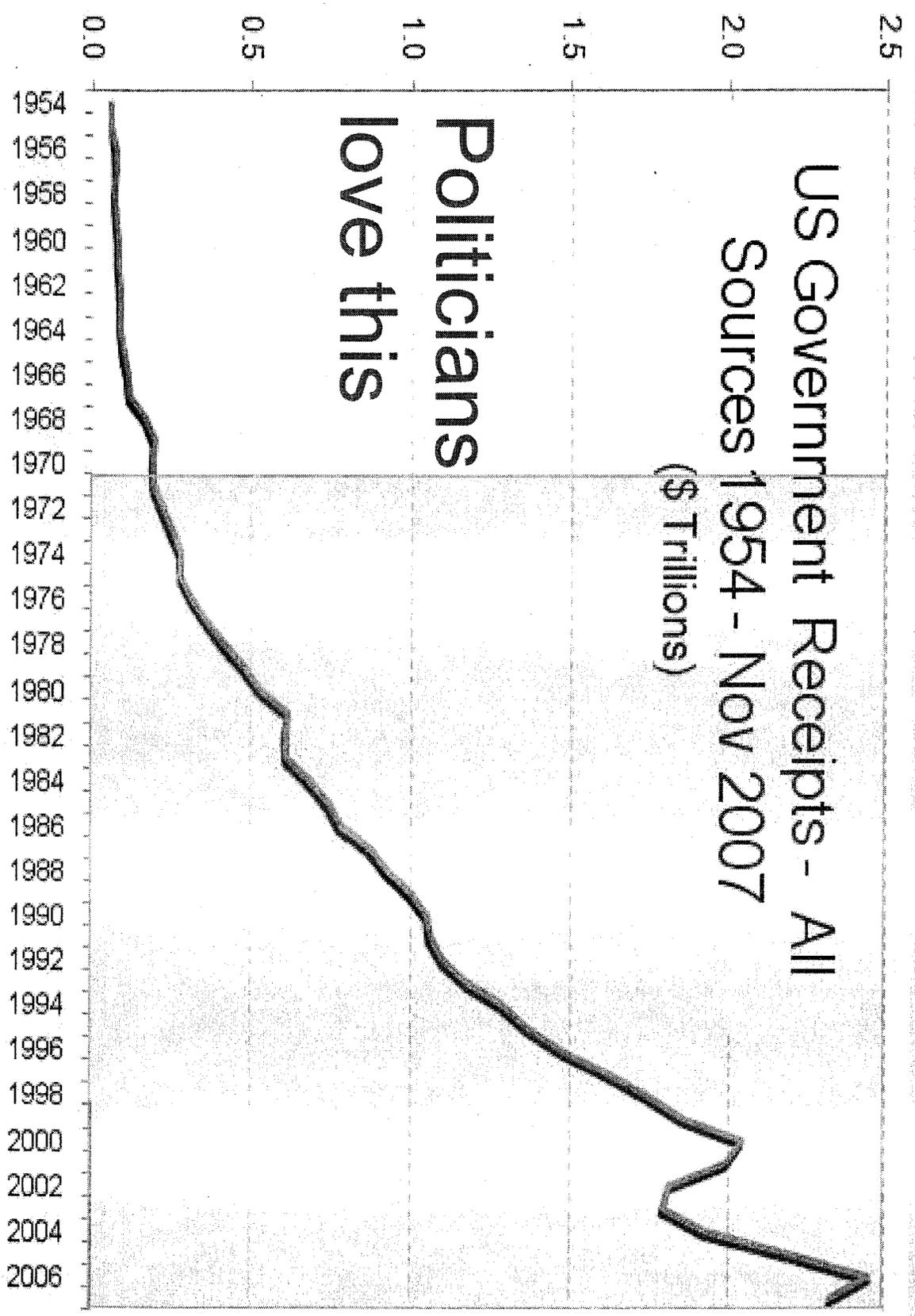


Stolen Labor

1949 1954 1959 1964 1969 1974 1979 1984 1989 1994 1999 2004

# Price Level of the United States 1800 - 2006





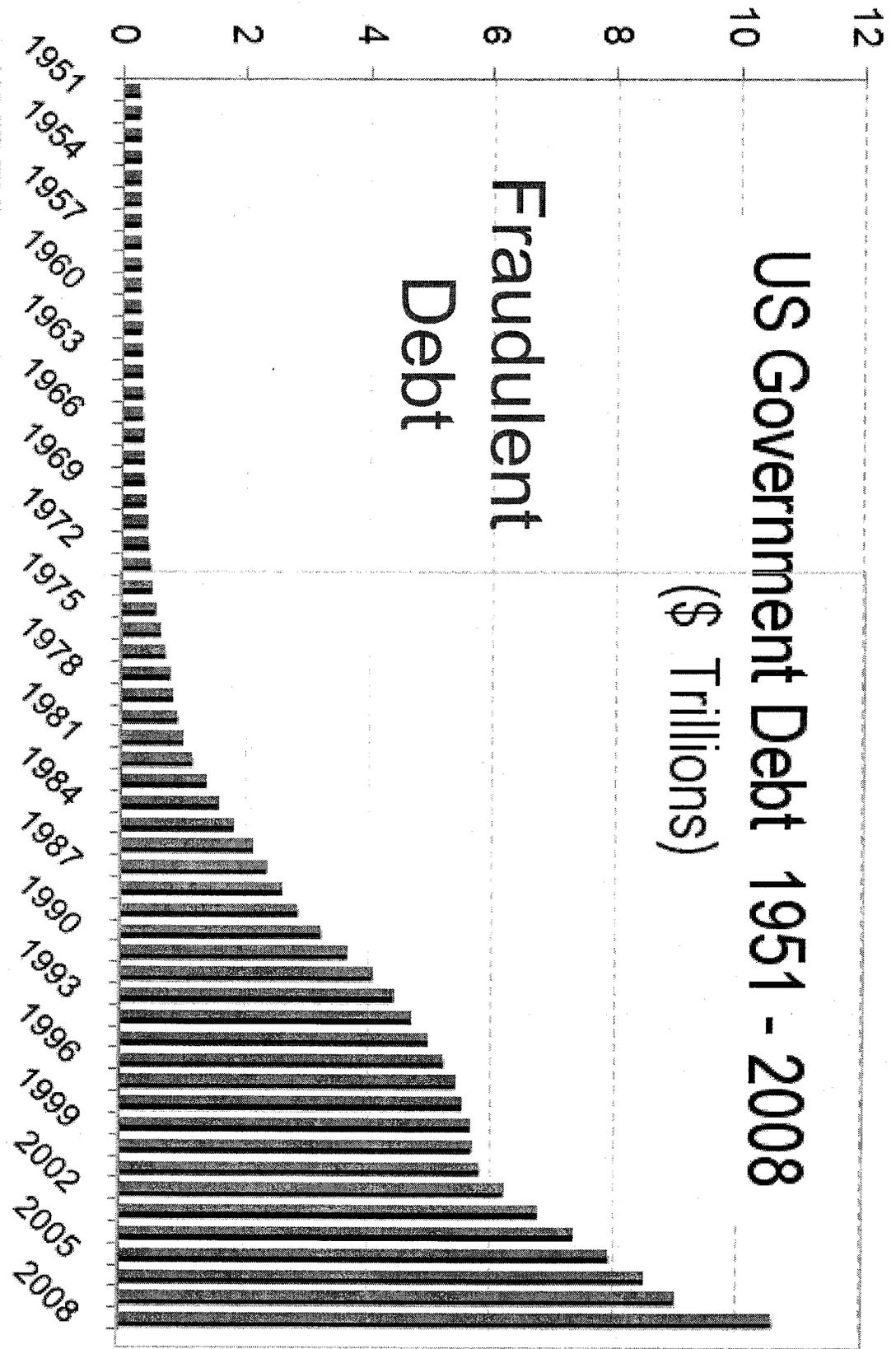
**US Government Receipts - All Sources 1954 - Nov 2007**  
(\$ Trillions)

**Politicians love this**

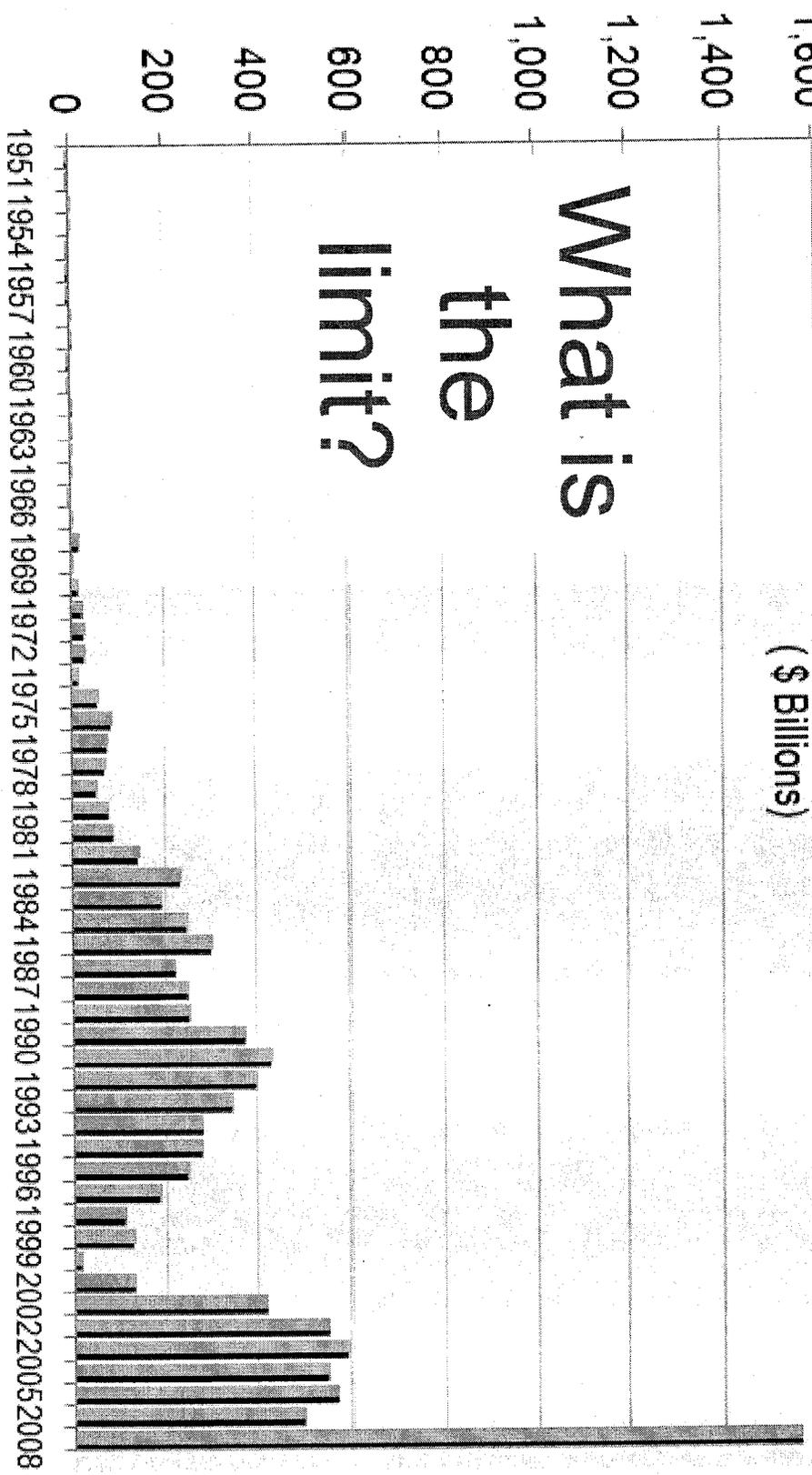
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**Debt entered into with  
neither the ability nor  
intention to repay is  
fraudulent debt**

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Year-on-Year Increase in Government Debt 1951 -2008  
(\$ Billions)

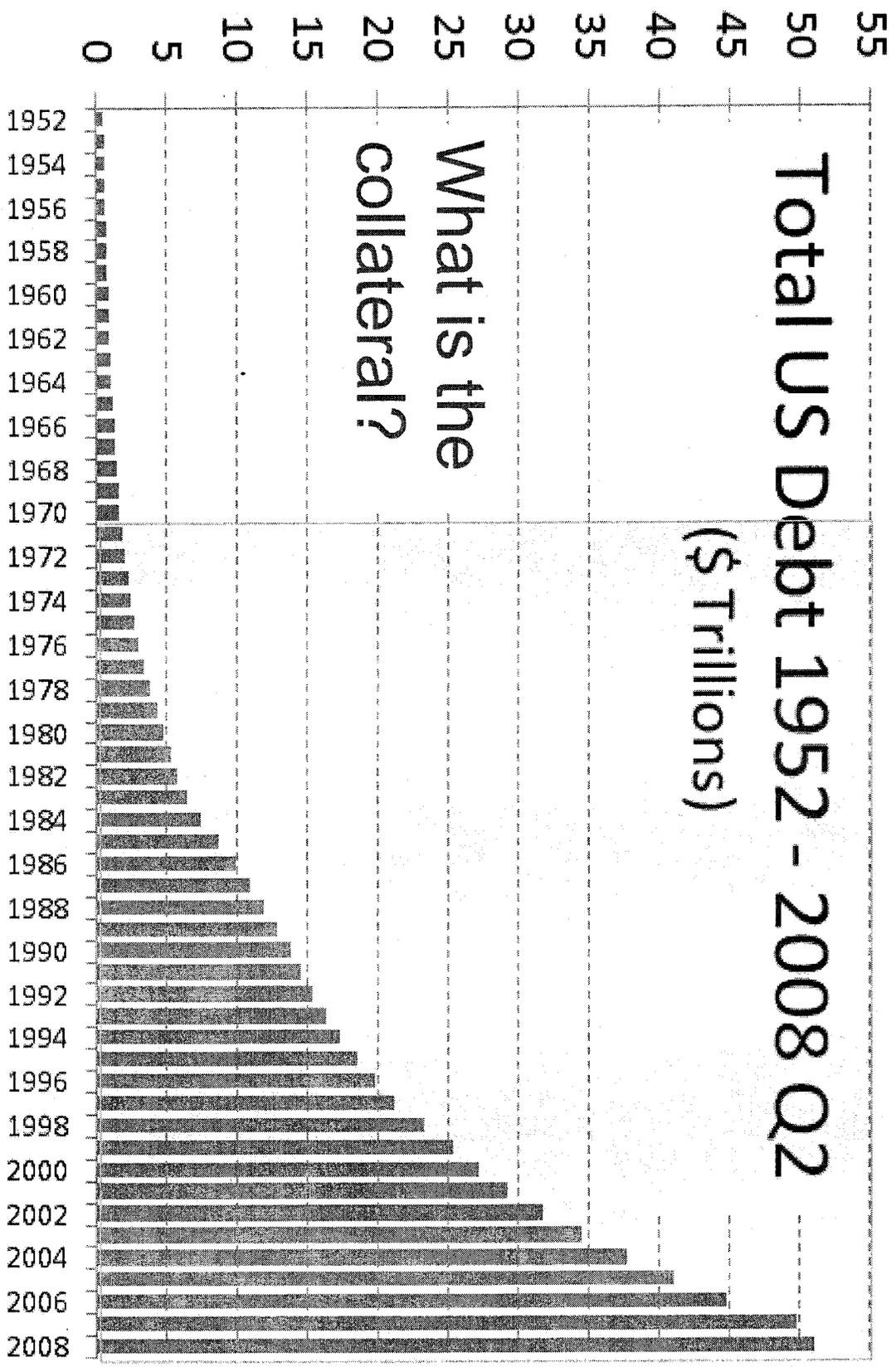


What is  
the  
limit?

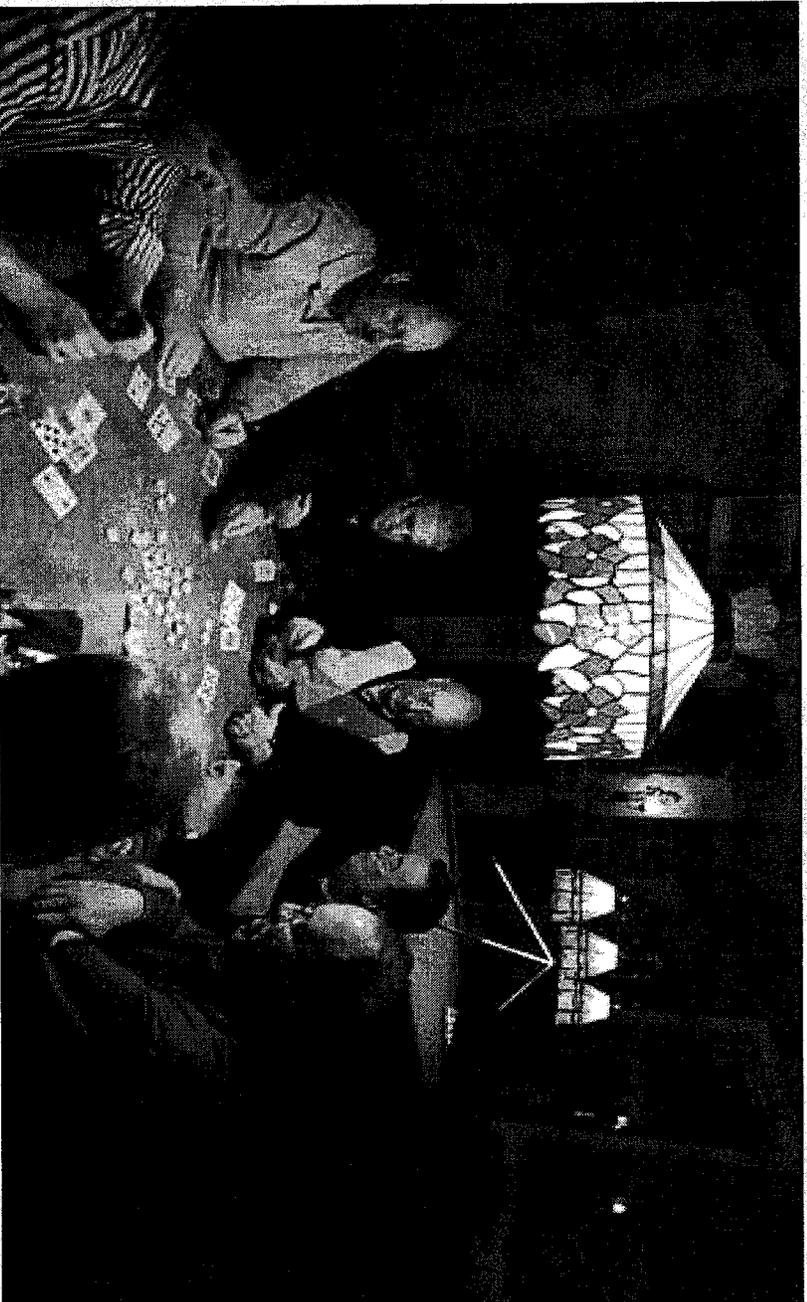
# Total US Debt 1952 - 2008 Q2

(\$ Trillions)

What is the collateral?



# Bankers are gambling with your savings and promises of future payment

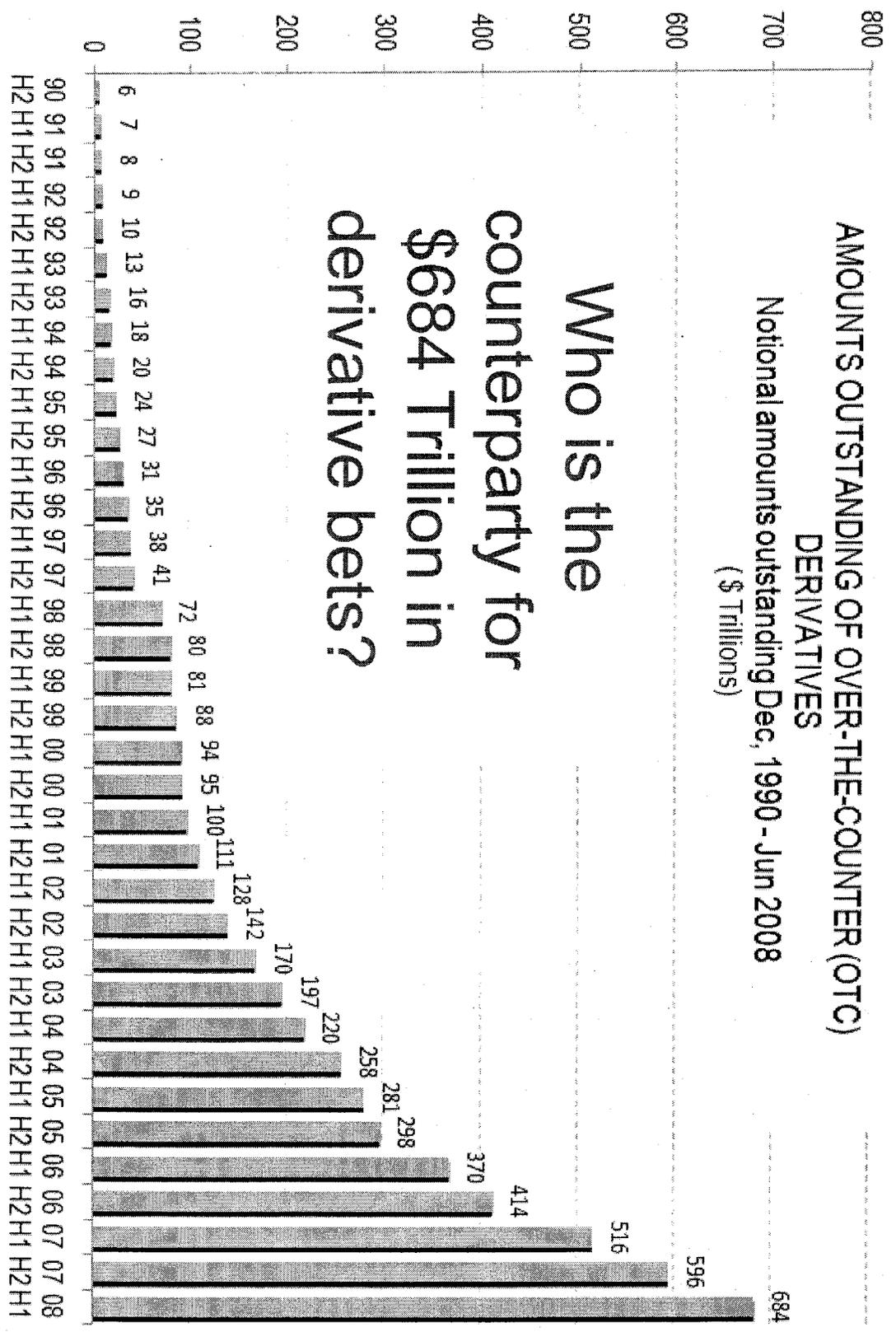


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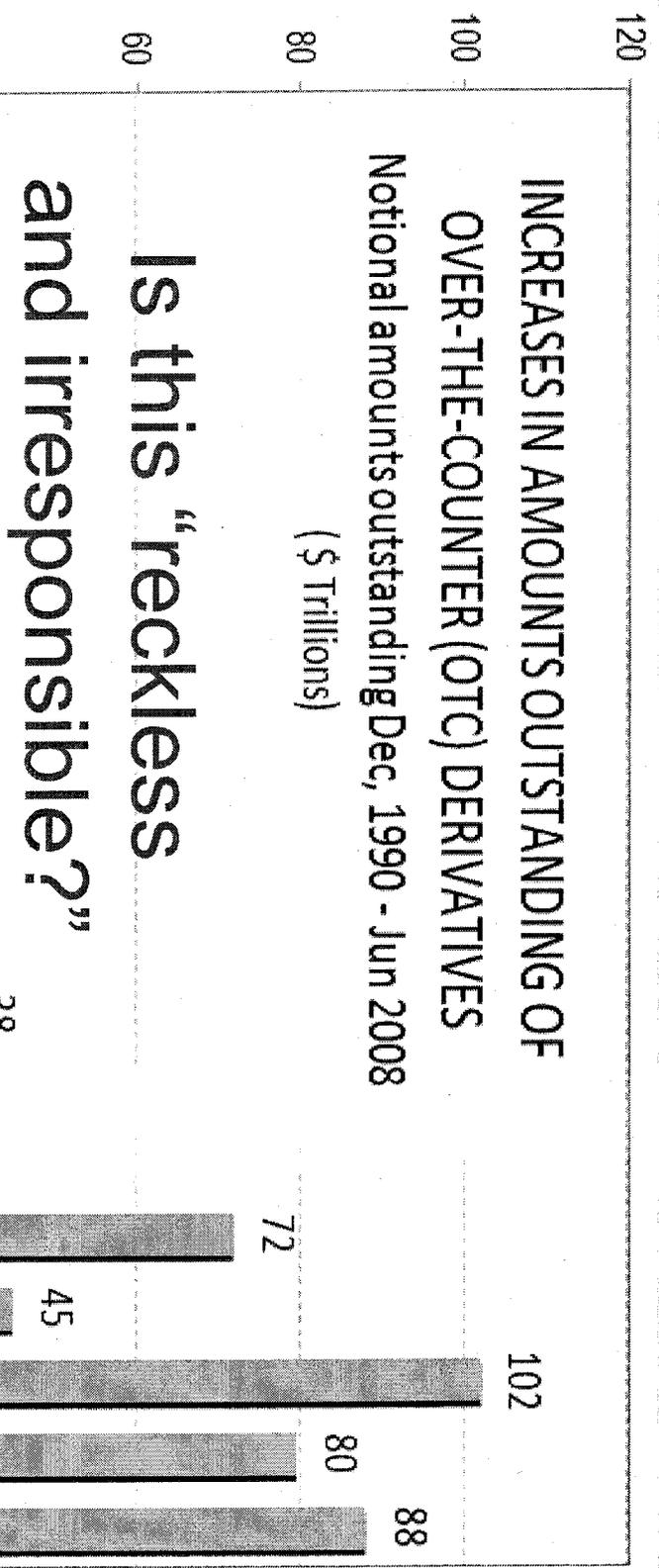
X

AMOUNTS OUTSTANDING OF OVER-THE-COUNTER (OTC) DERIVATIVES  
 Notional amounts outstanding Dec, 1990 - Jun 2008  
 (\$ Trillions)

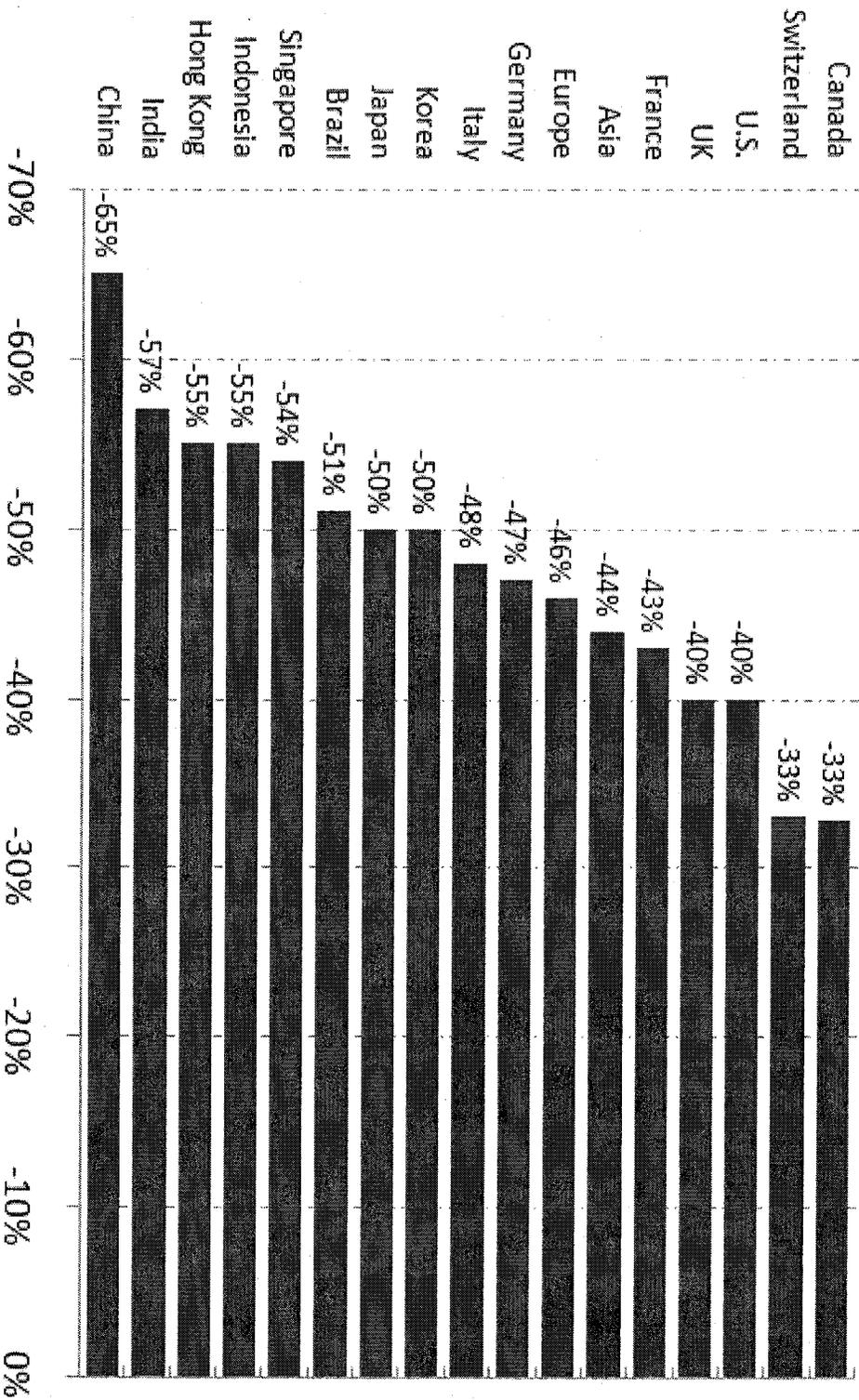
Who is the  
 counterparty for  
 \$684 Trillion in  
 derivative bets?



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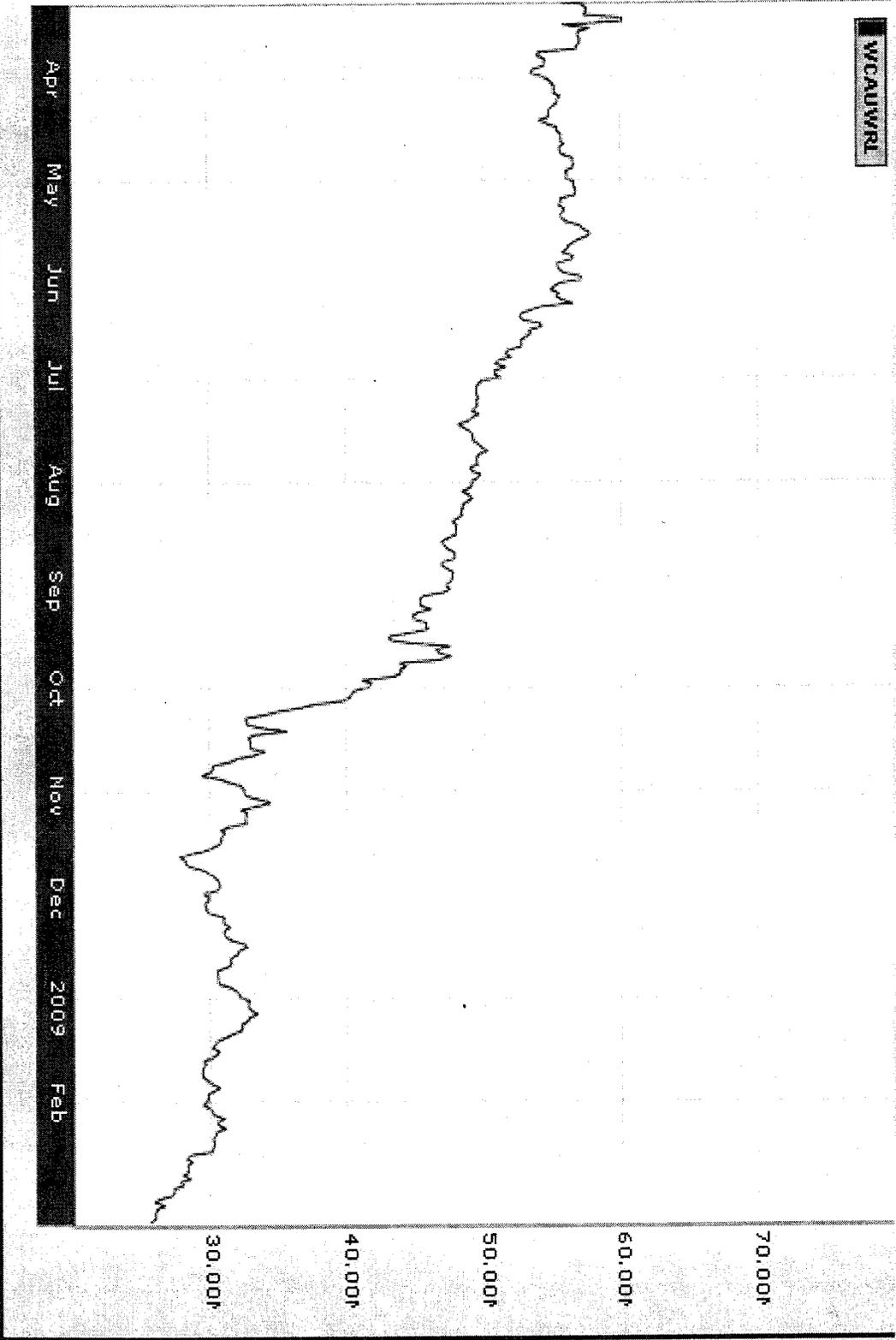
## Equity Markets 2008 Year to Date (10-27-08)

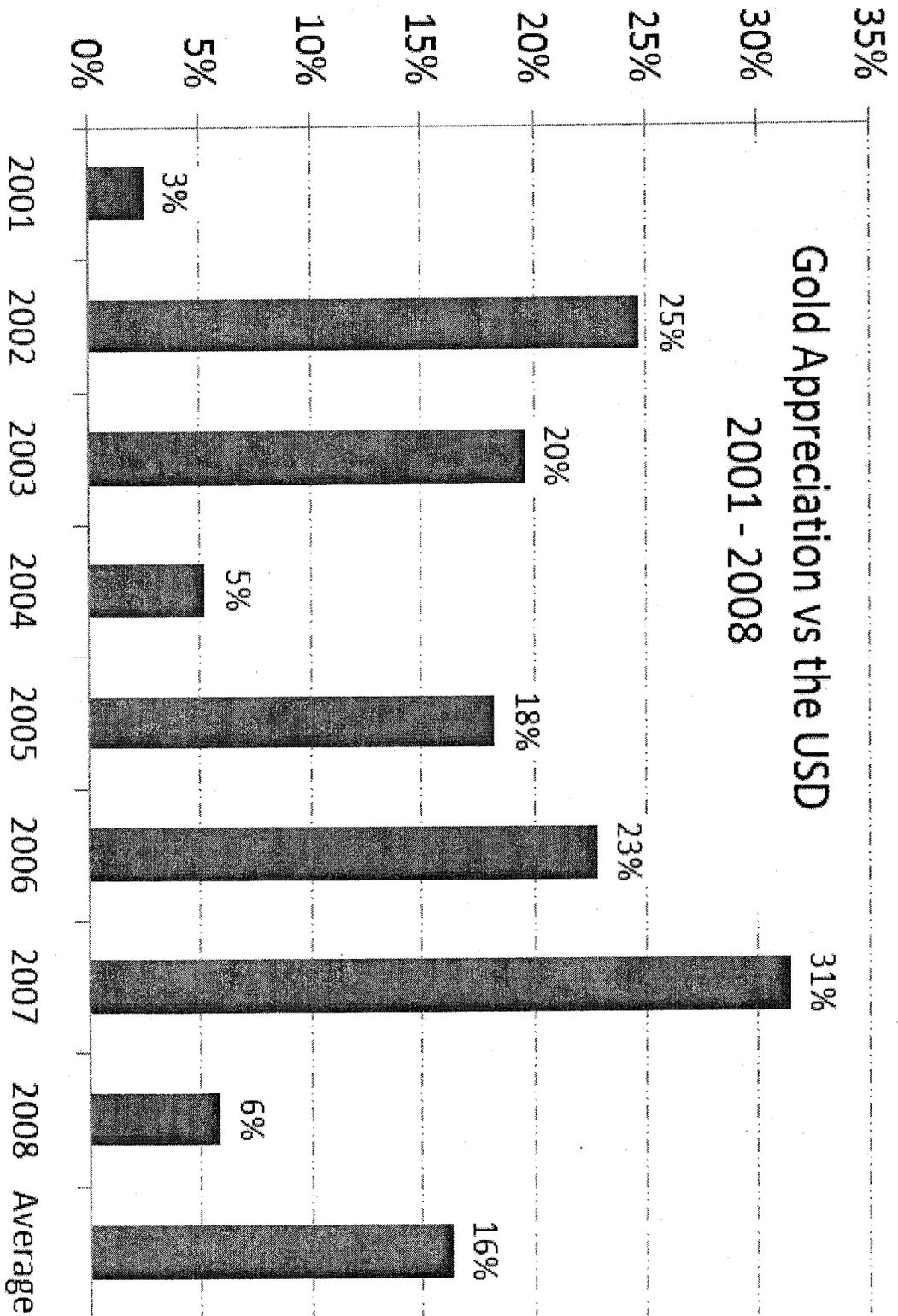


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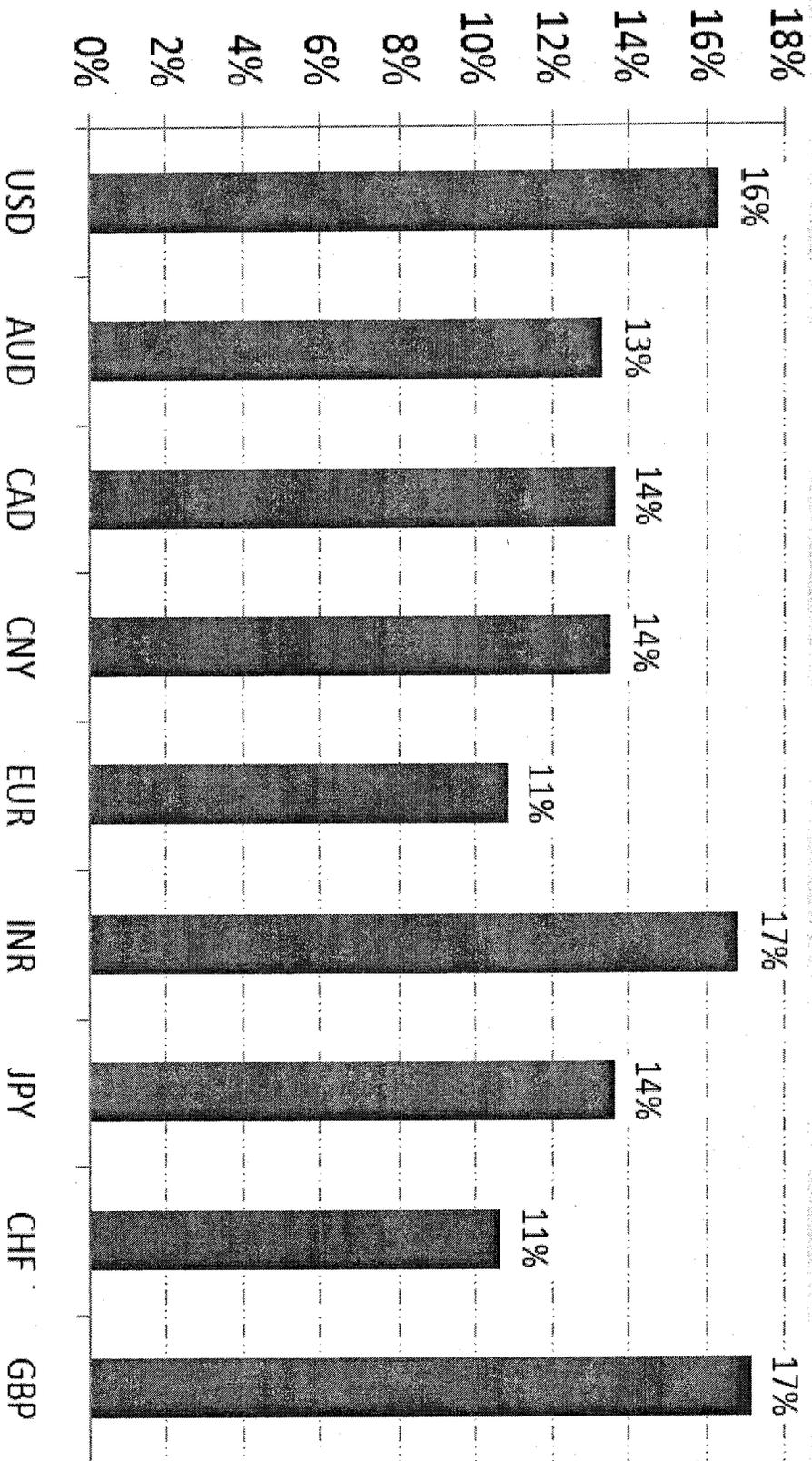
# World Equity Markets DOWN \$35 Trillion in Market Value!

WCAUWRL



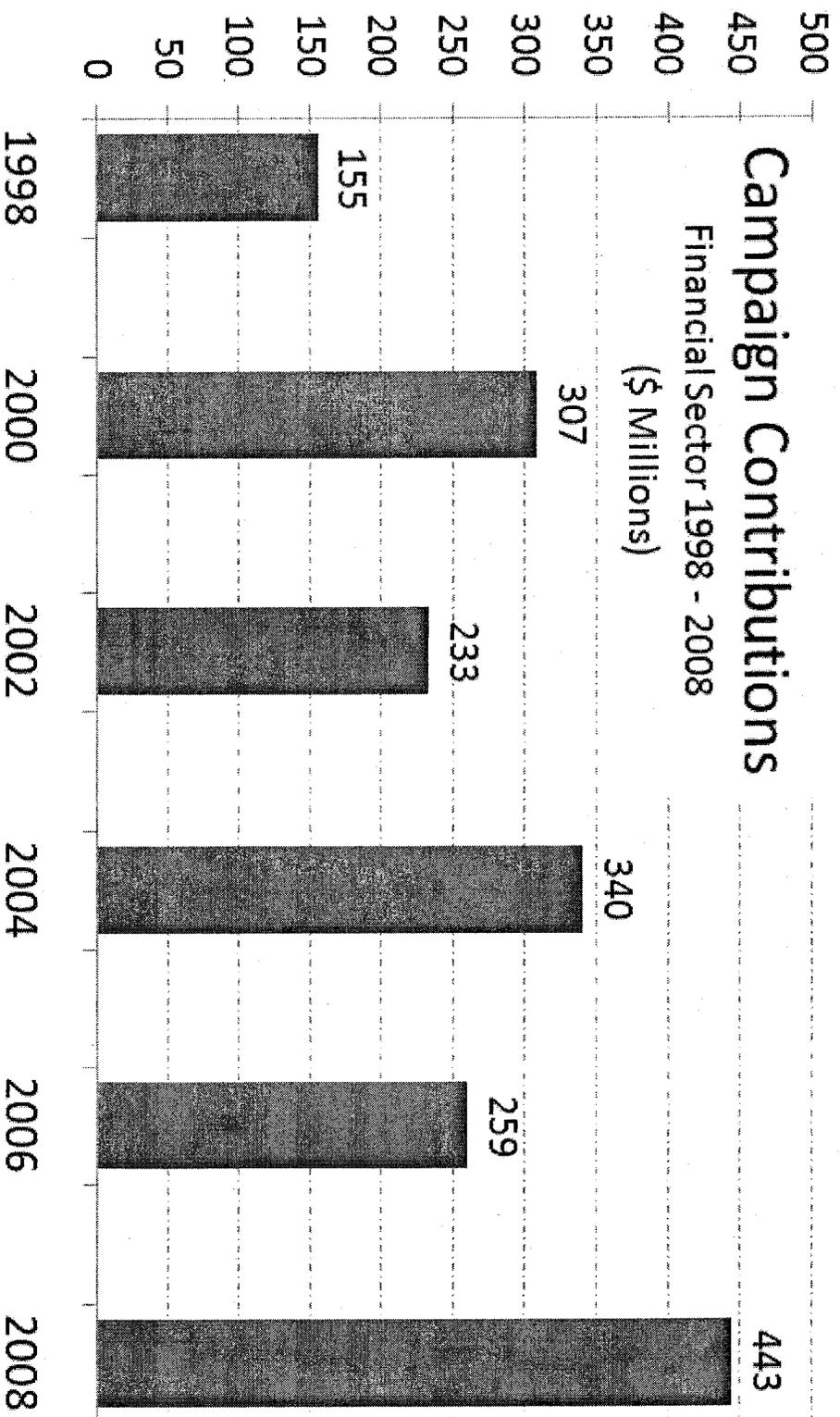


### Average Appreciation Gold vs. Major Currencies 2001 -2008



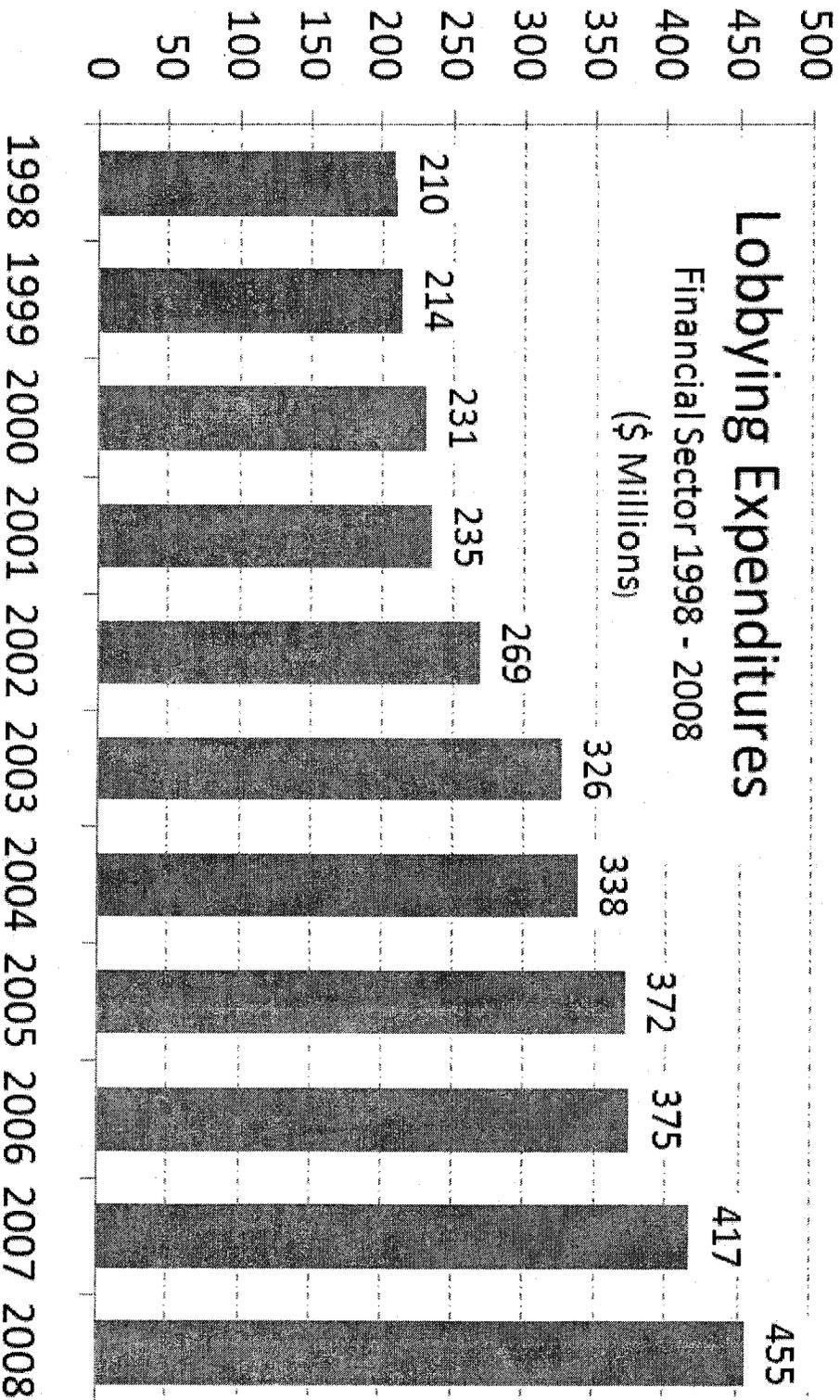
- How is it that such massive malfeasance, fraud, and outright theft were able to reach such gargantuan proportions?
- Why didn't our so-called "elected representatives" protect us?
- Why didn't they uphold and protect the U.S. *Constitution* as they have all taken a solemn oath to do?

# \$1.7 Billion in campaign contributions



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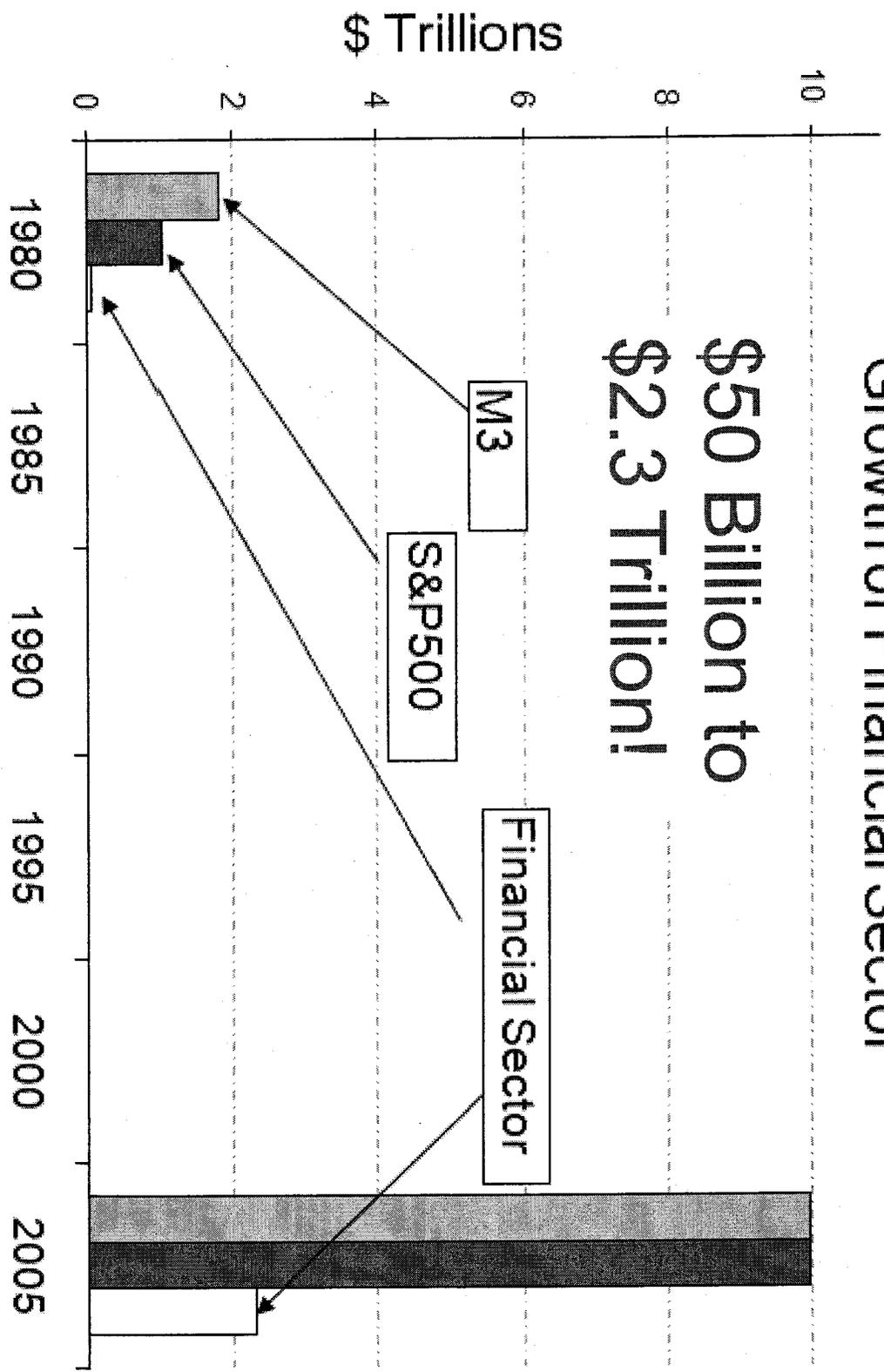
# \$3.4 Billion spent lobbying



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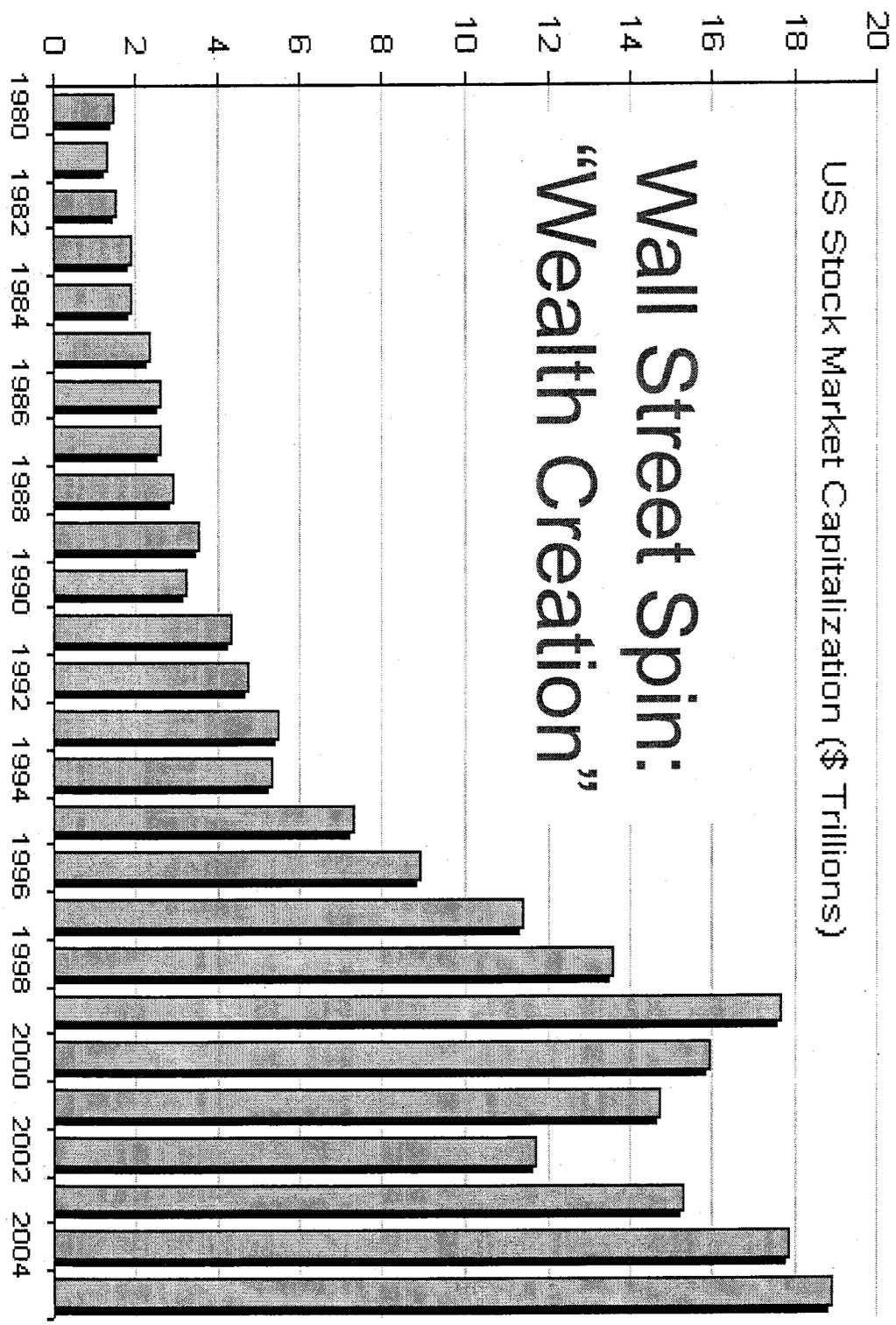
# Growth of Financial Sector

## \$50 Billion to \$2.3 Trillion!



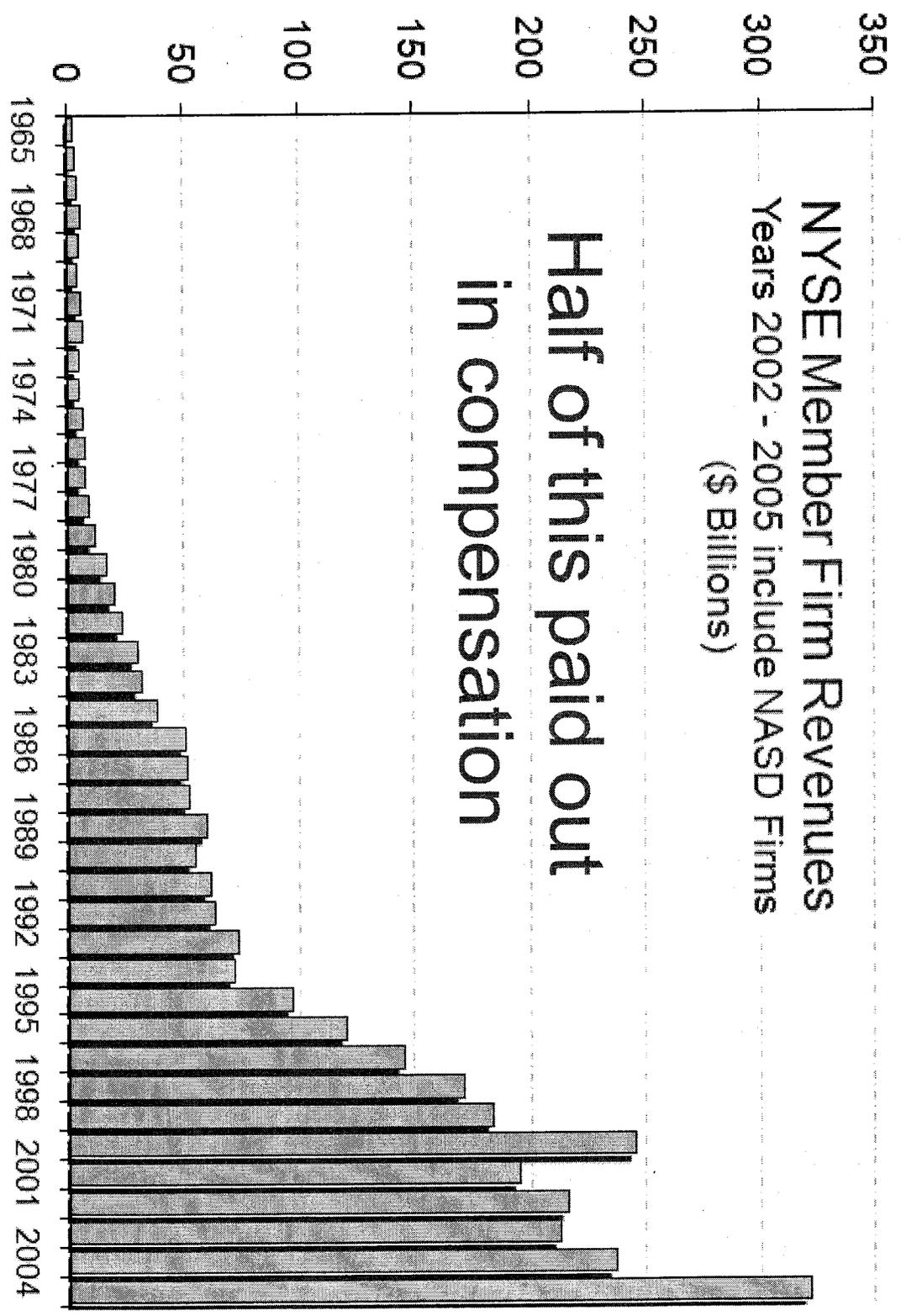
# US Stock Market Capitalization (\$ Trillions)

## Wall Street Spin: "Wealth Creation"



**NYSE Member Firm Revenues**  
 Years 2002 - 2005 include NASD Firms  
 (\$ Billions)

**Half of this paid out  
 in compensation**



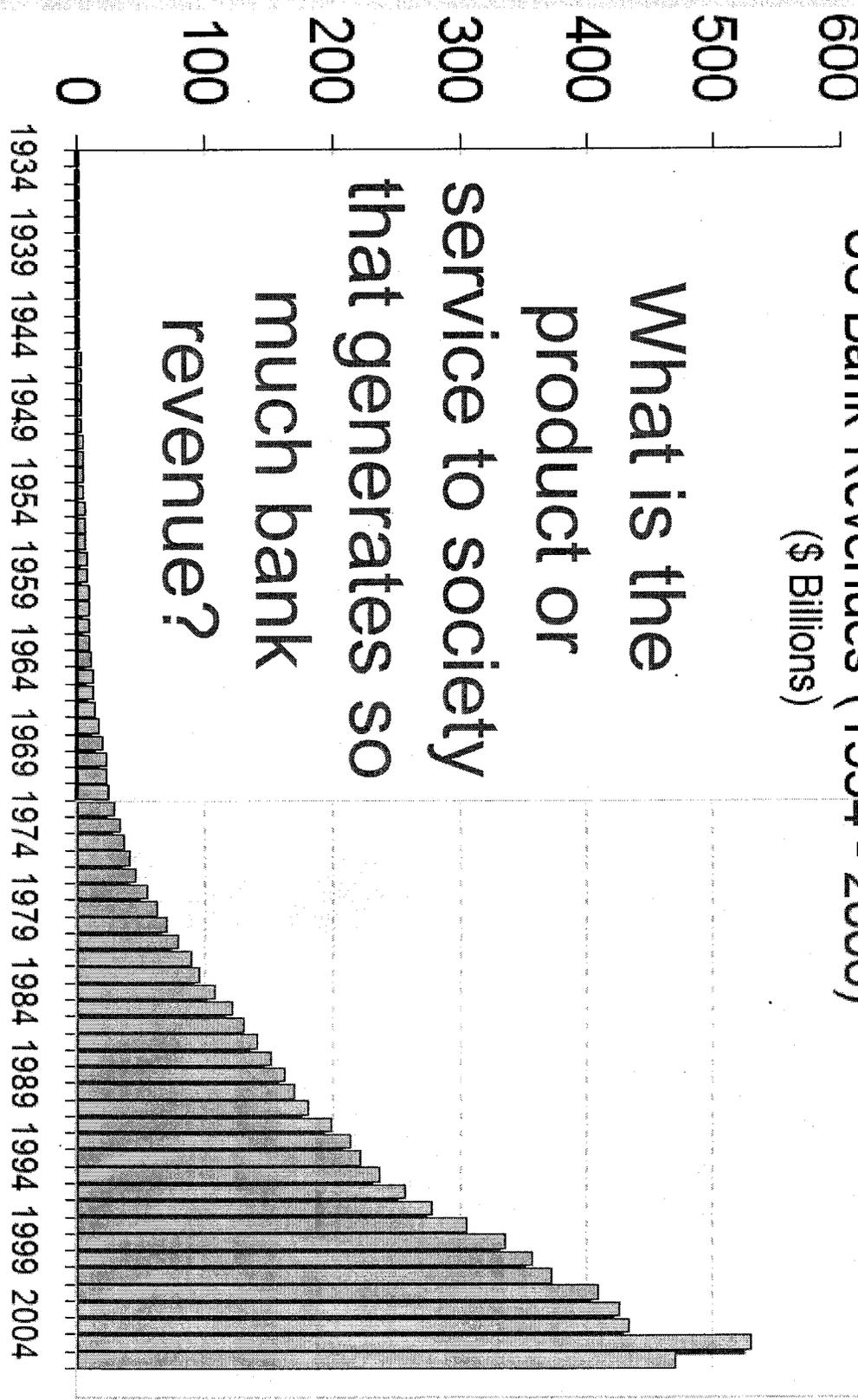
# Richard Fuld's House in Greenwich Conn.



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# US Bank Revenues (1934 - 2006) (\$ Billions)

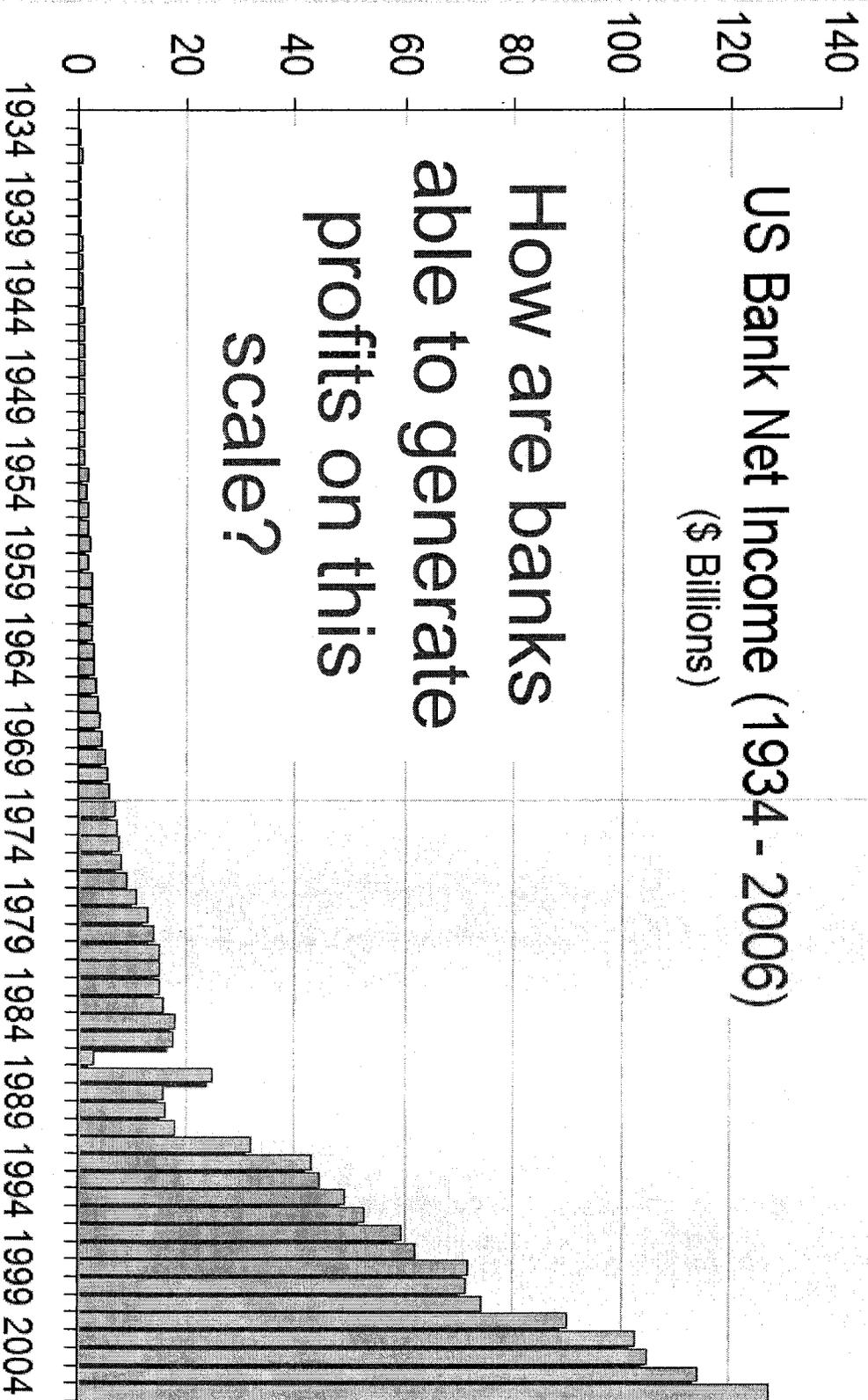
What is the product or service to society that generates so much bank revenue?



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US Bank Net Income (1934 - 2006)  
(\$ Billions)

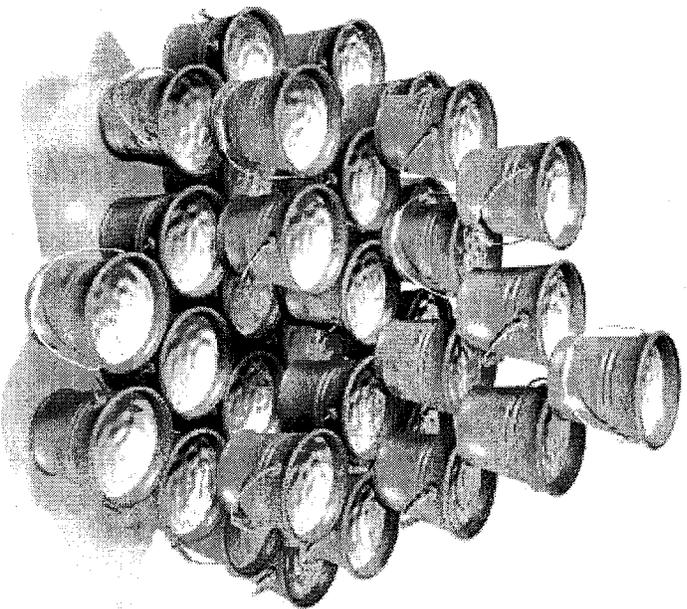
How are banks  
able to generate  
profits on this  
scale?



**Unfunded Retiree Benefits**

**\$40.9 Trillion\*\***

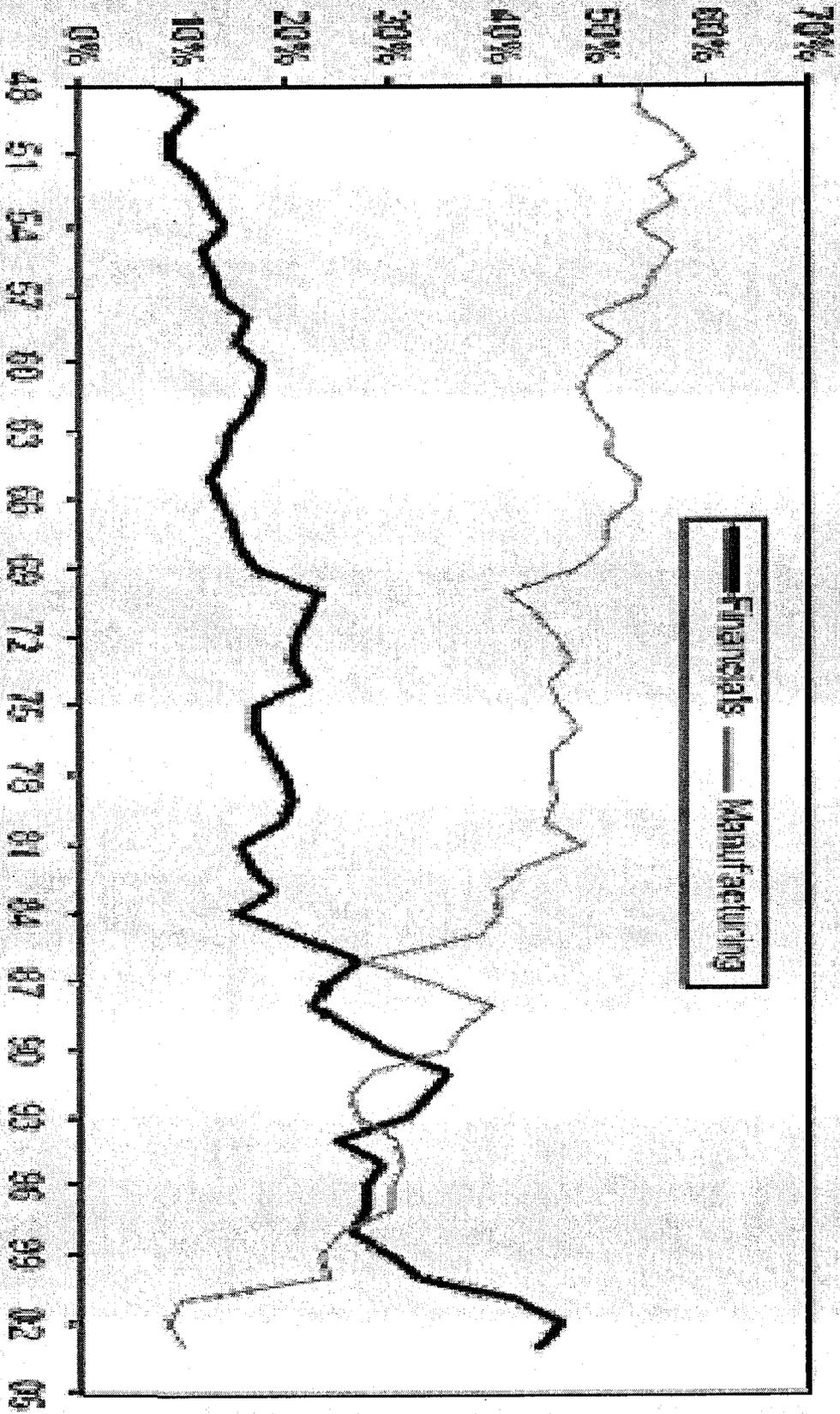
- Medicare ..... \$34.1 trillion
- Social Security ..... \$6.8 trillion



\*\* Government estimate of upfront cost  
of unfunded obligations.

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## US Profits Breakdown by Major Sector



## Fraud at the Fed! Where are the limits?

“So it was a matter of buying time. In an effort to hold things together psychologically, we agreed with considerable unease to extend overnight swap credits once or twice to the Bank of Mexico to bolster the month-end figures for their dollar reserves. We would transfer the money each month on the day before the reserves were added up, and take it back the next day. Our unease did not arise from any fear of financial loss, but because the ‘window dressing’ disguised the full extent of the pressures on Mexico from bank lenders and from the Mexicans themselves.”

Source: *Changing Fortunes*  
by Paul Volcker & Toyoo Gyohten  
page 199

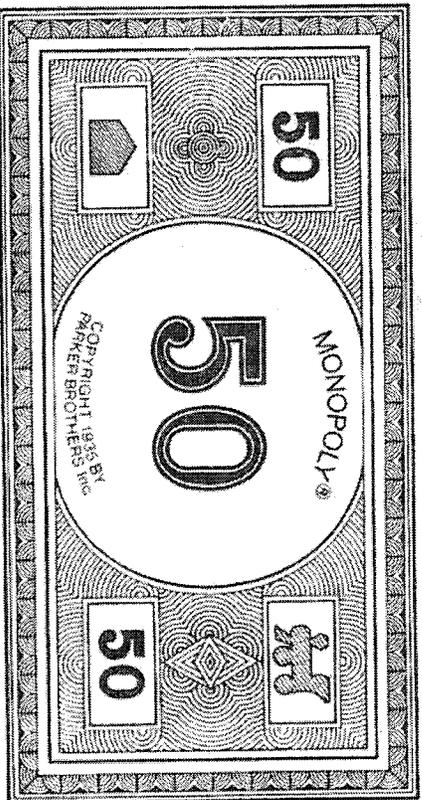
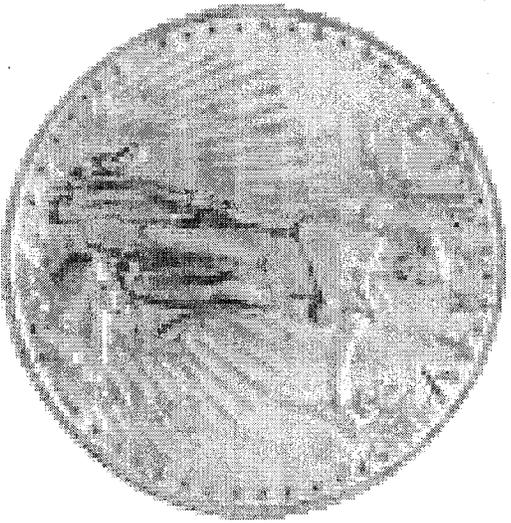
**“A global economy requires a  
global currency.”**

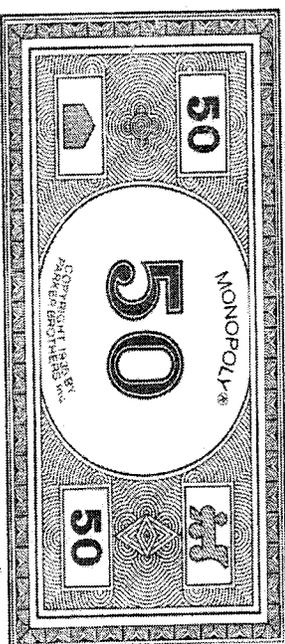
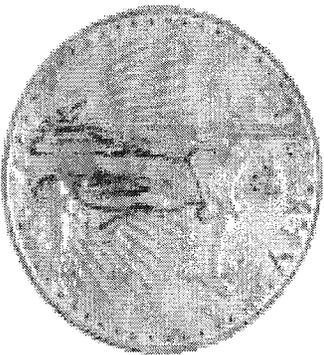
**Paul Volcker  
former Chairman of the Board of  
Governors  
of the Federal Reserve**



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What is that global currency going to be?





- Stable Interest Rates
- Stable Foreign Exchange
- Honest Money
- No Special Privileges
- Rule of Law
- Keep payment promises
- Volatile Interest Rates
- Volatile Foreign Exchange
- Dishonest
- Special Privilege for Banks
- Emergency Powers
- Presidential Directives
- Executive Orders
- Break payment promises

**The Solution:**  
**To reassert the monetary**  
**powers and disabilities of**  
**the *Constitution*.**

# “Gold is The Standard of Every Great Civilization”

The American Federation of Labor (1896)

